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# THE ECONOMIC IMPACT OF FIRES IN YELLOWSTONE NATIONAL PARK AND WESTERN MONTANA ON SMALL BUSINESS

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## HEARING

BEFORE THE

SUBCOMMITTEE ON
RURAL ECONOMY AND FAMILY FARMING

OF THE

COMMITTEE ON SMALL BUSINESS
UNITED STATES SENATE

ONE HUNDREDTH CONGRESS

SECOND SESSION

ON

THE ECONOMIC IMPACT OF FIRES IN YELLOWSTONE NATIONAL PARK AND WESTERN MONTANA ON SMALL BUSINESS

SEPTEMBER 24, 1988

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# THE ECONOMIC IMPACT OF FIRES IN YELLOWSTONE NATIONAL PARK AND WESTERN MONTANA ON SMALL BUSINESS

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SATURDAY, SEPTEMBER 24, 1988

U.S. Senate,
Subcommittee on Rural Economy
and Family Farming,
Committee on Small Business,
*Bozeman, MT.*

The Subcommittee met, pursuant to notice, at 9:10 a.m., in the Hyalite Room, City Center Motor Inn, 507 West Main Street, Hon. Max Baucus (Chairman of the Subcommittee) presiding.

## STATEMENT OF HON. MAX BAUCUS, A U.S. SENATOR FROM THE STATE OF MONTANA

Senator Baucus. This is the Senate Small Business Committee's Subcommittee on Rural Economy and Family Farming.

The purpose of this hearing is to gather as much information as possible about the extent of economic damage caused by the fires, look into the programs that are available to compensate those who are injured and see what other programs are available to help them.

First I want to thank KCTZ for their hospitality. They are the folks who brought the doughnuts and coffee back there and I want to thank them very much for their help. Let us give them a round of applause.

[Applause.]

Senator Baucus. Second, there is a slight change in the witness order. I think it makes more sense to have Bob Barbee back fighting fires than spending a lot of time sitting around here, so he is going to follow our Governor Ted Schwinden. Ted will speak first and then Bob and after that we will go back to our original witness order.

First, I welcome all our distinguished witnesses and guests. I know there is a great deal of interest in this subject and I am honored that all of you took the time and effort to come to Bozeman and describe how the forest fires have affected you and what kind of help you need from the Federal Government. I especially want to thank you, Ted, for taking time out of your busy schedule. You have been working very hard on this subject in many different ways, and we appreciate you taking the time to come to Bozeman.

This summer, Montana has experienced the worst fire season on record. Fires scorched in excess of 1.6 million acres of land in the

Greater Yellowstone Area, plus an additional 614,000 acres in the rest of Montana. These fires have burned themselves into the culture and the history of our State.

I do not think anyone in this room can question the strong emotions evoked by the scenes of the Yellowstone ablaze. As one young Montana writer said, for him Yellowstone was a "home", a "place of dreams", a "playground" of his youth. It is, as he said, a place where you can find a miracle every 10 feet.

All Americans, indeed, people around the world were moved by the heroic efforts of the many firefighters who fought the blazes throughout our State. Over 5,500 are still on the fire lines today.

We probably won't fully understand what happened in Yellowstone this summer for years to come. Citizens and lawmakers alike must take a new look at the natural burn policy. But the debate over how and why the fires burned must wait until cooler months and cooler heads prevail.

Despite the trauma, Montanans can be proud of how they responded to the call for help this year. We united with the spirit that is characteristic of our State. School children baked cookies and sent them to the front lines. When the weather turned cold, people offered blankets and warm clothing to the firefighters. Entire communities and church groups pulled together and built sprinkler systems to protect their neighbors' property. One firefighter's parent passed away during the fires, but he only took 1 day with his family before returning to the line. An Incident Commander actually missed his own wedding rather than vacate his post.

Many crews, exhausted from their grueling task, chose not to take scheduled breaks but to stay on the job. It was an heroic effort by all, with many unsung heroes.

Now that the blazes have subsided, it is time for the people of Montana to again focus on the future. Much as the forest begins to build anew, so too must the families and communities in West Yellowstone, Cooke City, Silver Gate, Augusta, Polebridge, and others begin to recover from the fires of 1988.

Let me emphasize that this hearing is not to debate natural burn policy, but to start rebuilding what we have lost. Today we will examine what our communities need in order to leave the fires to the storytellers and return our State to normal life.

Not only has the Greater Yellowstone Region felt the economic impact of the blazes, but areas around Augusta, Polebridge, and Helena have also suffered losses from this summer's fires. Today, we will take the first broad look at the economic impact of the fires of 1988. We will hear from officials of the Small Business Administration and the Department of Agriculture about what disaster relief programs are available to those who have suffered losses.

While it is too early to tell the full extent of injury caused by fires this summer, there is no doubt it is extensive. Outfitters claim losses of anywhere from $1 to $3 million and worry that future clients will not go into burned areas.

Figures for Yellowstone Park show a 7.3 percent drop in visitors in July compared with July 1987, and resort taxes in West Yellowstone fell 28 percent in August.

Farmers and ranchers lost hundreds of miles of fence, thousands of acres of pasture, tons of hay, many cattle and several million board feet of timber.

Some retail store owners report that sales are down as much as 70 percent from last year.

Under normal circumstances, the Federal Government has natural disaster programs that provide relief assistance in the form of low interest loans to those who have been injured.

However, in my opinion, the implementation of the federal government's natural burn policy may have been responsible for much of the loss caused by this year's forest fires. Therefore, I believe the people who may have suffered losses because of fires which were natural burn fires should receive compensation, not just disaster loan assistance.

I have introduced legislation to establish a five-member commission which will seek to determine which fires were natural burn fires and then determine whether substantial economic or physical loss was caused by the fires. In the event the commission finds that substantial injury was caused by a natural burn fire, those people affected would receive a grant, as opposed to a loan from either the Small Business Administration or the Farmers' Home Administration. These grants would be made in an amount equal to loans businesses, farms, and ranches would ordinarily be eligible for under current disaster assistance programs.

This legislation will not give grants to everyone, but only to those people directly injured as a result of a natural burn fire. The Commission will determine who those people are.

Although Congress can do little to stop a raging forest fire, it can do a lot to help communities rebuild from the ashes. In an editorial last Sunday, the Bozeman Chronicle eloquently said, "It's time to rebuild and brush the ashes aside, lest they spoil the spectacular beauty that remains very much alive in Yellowstone."

This summer's fires proved that there was one other thing very much alive—the spirit and generosity of the people of Montana. Nature will take care of its healing process. Today let us begin ours.

Our first witness is a great Governor of our State, who has served Montana I think very, very well, one of the best Governors this State has ever had, and has chosen not to run again. Governor Schwinden.

## STATEMENT OF HON. TED SCHWINDEN, GOVERNOR, STATE OF MONTANA

Governor Schwinden. Thank you very much, Mr. Chairman. I am sure I speak for the witnesses that you will hear during the course of the hearing here today and for a lot of other concerned Montana people for you taking the time to come out and discuss the impacts of the fire on our economy and our people, and particularly to focus attention on the kinds of disaster assistance that may be available under current programs and hopefully under the legislation which you have introduced.

I wear a couple of hats today. Yesterday, Mike Sullivan, the Governor of Wyoming, called and said he would not be able to be here and he FAXed his testimony up to our office and we ran off copies which are here for your Committee's perusal. Despite the fact that they were done completely separately, I think you will find a great deal of similarity in the comments of the Governors of Montana and Wyoming, who were in the park just a few weeks ago joining Secretary Lyng, Secretary Hodel and the Assistant Secretary in the Department of Defense, Mr. Taft.

I thought I would read one short section from Governor Sullivan's very excellent testimony, Senator, and it reflects in part what you said in your opening comments. He said:

> For many of us here in Wyoming, and for many here in Montana and neighboring States, watching Yellowstone burn has had a profound impact, because we regard Yellowstone less as a national treasure than as our second home. The fires burning nightly on television sometimes seemed to scar our souls as well as the landscape.

It has been a long hot summer during the fires of 1988, and it is testimony I think to an awful lot of good people and some very timely precipitation that things have finally begun to look much better here as we approach the end of September.

The precipitation that I mentioned has really brought the 1988 fire season nearly to a close, and I would want you to know, and the other folks here, that even before the fires were out or mostly out, we began through the State's disaster emergency services to work with the Small Business Administration to identify that gamut of Federal programs that are available to assist businesses that are affected by the fire, and just as importantly to develop an efficient procedure for gathering the information needed to receive a prompt disaster designation.

You are aware, I am sure, Senator, of the two major SBA programs that are available and I am sure they will be discussed here by the Administrator—representative of that program later today. There are two basic types, one deals with physical disaster and the other one economic injury. Our initial assessment shows that very few of the kinds of structures that normally get low-interest loans were destroyed by fire. Less than 15 primary residences were destroyed this summer, even fewer businesses. That does not, of course, cover the almost four dozen recreational summer homes that were lost in forest areas.

We anticipate that the Economic Injury Disaster Loan Program of the Small Business Administration will be able to assist a variety of fire victims, and it would be folks like these: the motel owner who lost his trade in the cloud of smoke that engulfed the town; the outfitter who had to cancel back-country trips on short notice; and the gas station, bait shop who lost business when the number of visitors dropped in Yellowstone dramatically in August.

That program makes low-interest loans available to nonfarm businesses who lost customers or business as a result of the fire. According to the regional office in Sacramento, which we contacted early on, it would cover losses that are typified by the examples that I just mentioned, losses that are suffered as a result of the smoke, delays in the hunting season and the decrease in tourism activity because of the fires.

In order for Montanans to take advantage of that program, the Small Business Administration must declare a county a disaster area. SBA, as we understand it, makes its decision based on two things: 1, my request that specific counties be declared disaster areas, and 2, a county-by-county damage estimate of losses suffered by businesses in each county.

In the first part of September, I asked the State disaster staff to call the county commissioners in all the counties with businesses that might have been affected by the fires. They were notified of the existing Federal assistance programs, asked to help prepare the damage estimate for their respective counties and then asked to provide a letter of support for declaring their county a disaster area. We have received excellent cooperation from Montana counties, as we have in the past. We have had 16 so far that have submitted letters. We will forward those to the SBA along with the damage estimates and my request for the disaster designation.

We have also worked in very close cooperation with the outfitters' association to make sure that their members were aware of the Federal programs. We hope to complete all the paperwork associated with those disaster designations in the next few days so that we can send the request to the SBA before the first of October. I am confident, as you have done in the past, that you and the other Members of the Montana delegation will assist us in expediting a response from SBA so that the victims of the fires of 1988 can begin rebuilding their lives and their businesses.

However, I think it is clear that loans and even grants to assist Montanans in putting their businesses back together will be meaningless in the long run, if places like Yellowstone Park are abandoned or diminished significantly in terms of other vacation destinations. As Governor Sullivan and I point out in our testimony, Yellowstone is a major drawing card for both of our States and for our tourism industries. Just a little over a week ago our two tourism staffs of Montana and Wyoming, meeting in Billings, agreed to develop a cooperative marketing program to promote what we are going to call the "New Yellowstone" beginning next year, and advertise it as a once in a century opportunity to see that renewal process that nature, with some help hopefully from the Park Service, will begin and has already begun in the park. We have asked, Governor Sullivan and I, in communications to the White House and to the Secretaries at the cabinet level for some $3 million over the next 3 years to assist the Montana/Wyoming promotional effort to make sure that we let Montanans and the rest of the world know that Yellowstone is still in business, its unique features are still in place and that it is still going to be a first-class place to come and vacation. I certainly encourage the support of this Subcommittee in encouraging the Park Service to provide that financial support for a promotional campaign.

There is another issue that could well require some additional Federal attention, and that is the quality of life for those who live in or near the fire-ravaged areas. The worst night in Helena, I was told that the pollution content or the particulate level in the smoke was something over 100 parts and we thought it was pretty tough. We measured in Gardiner, West Yellowstone, and the Cooke City, Silver Gate area on numerous occasions levels more than 10 times that high. And we choked and coughed in Helena with a little over 100.

If we have the normal fall inversion situation here with a great deal of inversions and some continued smoldering from the fires still putting up some smoke around Montana, we could have some serious public health problems. When we met with the cabinet level team—and I would again urge today—that we need some additional support in enhancing our monitoring efforts and to begin the necessary data collection to deal with—identify and deal with the long-term impact of the smoke damage that occurred this summer and may well occur this fall.

Another issue of concern to the State is water quality. The very dramatic loss of vegetation which you and I have both seen in the park area, could potentially create some serious problems for the streams that flow inside and flow to the outside of the park. Fires increase erosion, in-stream sediments and the timing and the amount of the runoff. I have been advised by members of Montana's scientific community that the fires could well result in some serious flooding as snowmelt becomes more concentrated. We are also concerned, of course, about the prospect of damage occurring to some of Montana's world-famous blue-ribbon trout streams.

We believe that it is imperative that action begin this fall to stabilize some of the dramatically exposed soil, particularly in streamside areas, and to begin an intensive water monitoring effort both within the park and downstream.

The numbers of elk and bison in Yellowstone Park are, as I am sure you know, at record levels. The fire damage to winter range, if it would be coupled with a hard winter—which I guess we are all praying for—could well result in unusually high levels of winter mortality or record numbers of animals leaving the park in search of food. I understand, and I see it reiterated in this morning's media, that pressure is mounting on the Park Service to develop a program to feed the elk in Yellowstone this winter. Our State wildlife experts, and I know that Jim Flynn, the Director of Fish, Wildlife and Parks is here, have warned that such a program could well aggravate the situation even more. And so we really encourage the Park Service to involve our Montana Department of Fish, Wildlife and Parks to discuss some of the wildlife management options.

Another concern of ours is one that has been with us for a number of years, brucellosis, which is an endemic disease in the bison in Yellowstone, is of concern. If those animals leave the park, as they have in the past in search for food, the chances for transmitting the disease to cattle would increase. And those factors must be taken into account in determining the wildlife management policies in the park.

As I indicated earlier, Senator, Governor Mike Sullivan and I have discussed many of these issues privately and subsequently by letter with Secretary Lyng, Secretary Hodel, and Mr. Taft. We have included in both our testimonies a letter that we have subsequently submitted to them and to the White House. I understand from a conversation that I had last week that many of the issues were raised directly with the President. Both Governor Sullivan and I, as I said, have sent followup letters asking for a prompt federal response in these areas of air and water quality, wildlife management, and disaster assistance.

There are some other disaster assistance programs already at work. Victims of Canyon Creek and the Warm Springs fires have already been visited by U.S. Forest Service and Soil Conservation Service damage assessment teams. The work of rebuilding fences, feeding cattle, and reseeding hillsides there has already begun. Our own State Department of Agriculture has also stepped in to help fire victims. With nearly 2,000 hungry cattle near Canyon Creek, my Department of Agriculture Director Keith Kelly stuck his neck out a mile and on an emergency basis one Thursday evening agreed to loan some FFA kids $25,000 on an interest-free loan to purchase hay, and incredibly I think and to the credit of Keith and the agency, by certainly afternoon the following day, the first semi load of hay was delivered in the Augusta area. One of the nice things this morning is one of the gentlemen sitting right over there came up and expressed his appreciation. I told him "put it in writing" because we do not get many of those, we get the other kind. [Laughter.]

I think it is clear in conclusion—I have tried to meet your time frame this morning and still convey as well as I can the concerns of Governor Sullivan and myself—it is clear that repairing the damage done by the 1988 fires is going to require coordination between the Federal, the State and the local agencies and the people who are affected. I have urged the White House to send someone out here who could, on their behalf, ensure that all the Federal agencies involved in mitigating the impacts of the Yellowstone fire do so in concert with each other. And we in Montana certainly look forward to working with you and all of the levels of Government to try to restore the quality of life that is so important to all of us who live in this State.

Senator, I appreciate very much the opportunity to present both mine and Governor Sullivan's testimony this morning. I have left copies here available for you and the media. Thank you again for coming out to talk about what has been the results of one of the hottest periods in Montana history, political or otherwise.

[The prepared statements of Governors Schwinden and Sullivan follow:]

State of Montana
Office of the Governor
Helena, Montana 59620
406-444-3111

TED SCHWINDEN
GOVERNOR

# TESTIMONY BY GOVERNOR TED SCHWINDEN AT THE HEARING OF THE RURAL ECONOMY SUBCOMMITTEE OF THE SENATE SMALL BUSINESS COMMITTEE

SATURDAY, SEPTEMBER 24, 1988
IN BOZEMAN AT 9 A.M.

Mr. Chairman, members of the Committee. Thank you for taking time to discuss the impacts of the fire on Montana's economy, and focus attention on the kinds of disaster assistance available to help the victims of this summer's fires.

Nature has certainly tested us this summer. Between fires and drought, the term "disaster" has appeared in our newspapers almost daily. It pains me that the events of this summer necessitate requests for disaster assistance. However, I take heart in the resilience of Montanans. We are no strangers to hardships -- drought and fire have been recurrent throughout our history -- but we have always bounced back with determination.

It appears that the precipitation in recent weeks, combined with the lower temperatures, have brought the 1988 fire season nearly to a close. Even before the fires were out, however, my office and the state's Disaster and Emergency Services staff were working with the Small Business Administration to identify federal programs to assist businesses affected by the fires and to develop an efficient procedure for gathering the information needed to receive a prompt disaster designation.

The two major SBA programs to assist fire victims are: 1) the physical disaster program and 2) the economic injury disaster loan program. The purpose of the physical disaster loan program is to provide low-interest loans to replace or repair primary residences or businesses physically damaged by the fires. Fortunately, our initial assessment shows that few of these types of structures were destroyed by the fires -- fewer than 15 primary residences and even fewer businesses since this year's fire season began in February. This program does not, however, cover the more than 45 recreational cabins that burned.

We anticipate that the SBA's economic injury disaster loan program will be able to assist a variety of fire victims such as:

--the motel owner whose trade disappeared in the cloud of smoke that engulfed the town;

--the outfitter who had to cancel back-country trips on short notice;

--the gas station and bait shop who lost business when the number of visitors to Yellowstone in August dropped 30 percent.

This program makes low-interest loans available to non-farm businesses who lost customers or business as a result of the fires. According to the SBA regional office in Sacramento, the program would cover losses typified by the examples I just mentioned -- losses suffered as a result of the smoke, delays in the hunting season and, decrease in tourism activity because of the fires.

In order for Montanans to take advantage of this program, the SBA must declare a county a disaster area. SBA bases its decision on two things: 1) My request that specific counties be declared disaster areas and 2) County-by-county damage estimates of losses suffered by businesses in each county.

In early September I asked the state disaster staff to call county commissioners in all counties with businesses that might have been affected by the fires. Counties were notified of the existing federal assistance programs; asked to help prepare the damage estimate for their county; and asked to provide a letter of support for declaring their county a disaster area. We have received excellent cooperation from the counties. So far, 16 counties have submitted letters, which I will forward to the SBA along with the damage estimates and my request for disaster declarations.

We have also worked with the outfitters' association to make sure their members were aware of the federal programs. We hope to complete the paperwork in the next few days so that I can send my formal request to SBA by the end of this month. I expect that Senator Baucus and the rest of Montana's delegation will assist in expediting a response from the SBA so that the victims of the fires of '88 can begin rebuilding their lives.

But low-interest loans to assist Montanans in putting their businesses back together will be meaningless in the long run, if places like Yellowstone are abandoned in favor of other vacation destinations. Because Yellowstone is a major drawing card for both Montana and Wyoming's tourism industries, our tourism staffs recently agreed to develop a cooperative marketing campaign to promote the "New Yellowstone" next year as a once-in-a-century opportunity to see nature work its miracle of renewal. Last week, Governor Sullivan of Wyoming and I asked the Park Service to provide $3 million over the next three years to assist in the Montana/Wyoming marketing campaign. Combined with state funds, that kind of financial assistance would allow us to construct a first-class promotion to let Americans and the rest of the world know that the burns will turn green, and the "New Yellowstone" will emerge with its unique features intact while a new growth will replace the scars of the '88 fires. I ask the assistance of this committee in encouraging the Park Service to provide financial support for that promotional campaign.

Another issue that will require federal attention is the quality of life for those who live in or near the fire-ravaged areas. While recent rain and snow have helped contain the fires, the inevitable smoke resulting from the mop-up efforts and continued smoldering could combine with the inversions that are common in western valleys during the fall. The result could be air quality levels that constitute a public emergency. We must have federal funds to increase our monitoring efforts and to begin the necessary data collection to identify and treat the long-term impacts of the fires and smoke on public health.

Water quality is another issue of concern. The dramatic loss of vegetation from the fires could mean serious problems for the streams flowing within and from the park. Fires increase erosion, in-stream sediments and the amount and timing of the runoff. I have been advised by members of Montana's scientific community that the fires could result in serious flooding as snowmelt becomes more concentrated. We are also concerned about the prospect of serious damage occurring to Montana's world-famous blue-ribbon trout streams.

Therefore, it is imperative that action begin this fall to stabilize exposed soils, especially in stream-side areas, and to begin an intensive water monitoring effort both within the park and downstream.

The numbers of elk and bison in Yellowstone Park are currently at record levels. The fire damage to winter range, if coupled with a hard winter, could result in unusually high levels of winter mortality or record numbers of animals leaving the Park in search of food. I understand that pressure is mounting on the Park Service to develop a program to feed the elk in Yellowstone this winter. State wildlife experts warn that such a program could aggravate the situation even more. We encourage the Park Service to involve the Montana Department of Fish, Wildlife and Parks in discussions about wildlife management options.

Brucellosis, an endemic disease in Yellowstone's bison, is another concern. Should those animals leave the Park in search of food, the chances for transmitting the disease to cattle would increase. These factors must be taken into account in determining wildlife management policies.

Governor Sullivan and I discussed many of these issues with Secretary Lyng and Secretary Hodel three weeks ago when they visited Yellowstone. I understand that many of the issues we raised were discussed directly with the President. Both Governor Sullivan and I have sent follow-up letters to the Cabinet asking for a prompt federal response to our requests in the pressing areas of air and water quality and wildlife management, as well as disaster assistance.

Other disaster assistance programs are already at work. Victims of the Canyon Creek and Warm Springs fires have already been visited by U.S. Forest Service and Soil Conservation Service damage assessment teams. The work of rebuilding fences, feeding cattle and reseeding hillsides there has already begun. The state Department of Agriculture has also stepped in to help fire victims. With 2,000 hungry cattle near Canyon Creek, Department Director Keith Kelly agreed with the local Future Farmers of America to work out a $25,000 interest-free loan to purchase hay, which the FFA then distributed to the affected ranchers.

Repairing the damage done by the 1988 fires will require coordination among federal, state and local agencies. I have urged the White House to designate an emissary to ensure that all the various federal agencies involved in mitigating the impacts of the Yellowstone fires do so in concert with each other. We in Montana look forward to working with all levels of government to restore the quality of life we cherish in this state.

-END-

September 19, 1988

The Honorable Richard Lyng
Secretary of Agriculture
Washington, D.C. 20250

The Honorable William Taft
Acting Secretary of Defense
United States Department of Defense
Washington, D.C. 20301-8000

The Honorable Donald Hodel
Secretary of the Interior
United States Department of the Interior
Washington, D.C. 20240

Dear Gentlemen:

Thank you for providing time to meet with you on September 10 in Yellowstone National Park. I appreciated the opportunity that Governor Sullivan and I had to outline our concerns about the long-range impacts of the fires and to suggest federal actions that would help mitigate those impacts. Since your visit, we have been fortunate enough to have two weekends of precipitation, which have helped firefighting efforts considerably.

I understand from Judy Black that many of these concerns were subsequently discussed with the President. I am hopeful that we will see prompt responses to the most pressing of these needs. I would like to amplify several of the concerns I raised at the meeting:

Tourism. Governor Sullivan and I both emphasized the importance of Yellowstone Park to our states' tourism industry. Since the meeting, our tourism staffs have met and agreed to allocate significant state revenue to promoting the "New Yellowstone" as an exciting, ongoing story of growth and renewal. In a meeting with Park Service and U.S. Forest Service officials in Yellowstone last Thursday, Governor Sullivan and I urged the Park Service to provide major financial assistance to this joint state effort. We think that $3 million in federal funds over the next three years will, when combined with the funds pledged by our two states, allow us to construct a first-class promotional effort that will let America and the rest of the world know that the "New Yellowstone" will provide visitors a once-in-a-century opportunity to see nature at work.

Disaster aid. Montana's state agencies have already begun the work of assessing the economic loss to businesses impacted by the Park fires and other fires throughout the state, in preparation for my request to the Small Business Administration for disaster designation. The SBA's designation will make available to qualifying businesses low-interest loans for economic injury and physical damage caused by the fires. I understand that the National Park Service and the Soil Conservation Service will be working with affected landowners to replace livestock fences and begin watershed protection efforts. Because so many acres and areas were burned in Montana this summer, these same problems will be faced by residents throughout the state. I urge the Forest Service, Soil Conservation Service and the Agricultural Stabilization and Conservation Service to aid in the maximum extent possible in watershed protection, fence rebuilding and forage replacement. Given the number and diversity of businesses involved, it is important that a special effort be made to coordinate these assistance efforts and provide help to residents in applying.

Water Quality and Flows. The dramatic loss of vegetation caused by the fires could cause serious problems for the streams flowing within and from the park. Fires convert organically bound elements to soluble forms, reduce infiltration, increase erosion and therefore instream sediments, and increase the amount and timing of runoff. I have been advised by members of Montana's scientific community that the fires could result in serious flooding as snowmelt becomes more concentrated. We also face the prospect of serious damage occurring to Montana's world famous blue-ribbon trout streams.

It is imperative that remedial action begin this fall to stabilize exposed soils, especially in stream side areas, and to begin an intensive water monitoring effort both within the park and downstream. Montana stands ready to assist the Park Service and other federal agencies in these regards. Our Department of Health and Environmental Sciences has drafted a fire impact remedial action plan that it is anxious to see implemented. The success of such efforts depends in large part on the availability of federal funds and other resources.

Air Quality. During the last several weeks, Gardiner, West Yellowstone, and other communities have experienced respirable particulate readings at several times the level designated by the EPA as a public health emergency. In some communities, the air quality has been at or above the emergency level for over a month. Even with the current intensive efforts underway to suppress the Yellowstone and other Montana fires, the inevitable smoke resulting from the mop-up efforts and continued smoldering will, when combined with the inversions that are common in western valleys during the Fall, ensure that air quality reaches emergency levels for days at a time in the coming months.

I understand from Judy Black that EPA has agreed not to "count" these fire-related readings when determining compliance with EPA standards. While this is helpful, the important point is that residents will continue to breathe this air. We must have federal funds to increase our monitoring efforts and to begin the data collection efforts that will help identify and treat the long-term impacts of the fires' effect on public health.

The Montana Department of Health and Environmental Sciences has prepared an assessment plan for collecting the data necessary to monitor this serious health threat. I urge you to provide the funding necessary to implement such a plan, including support from the EPA and the Center for Disease Control.

Wildlife Management. The numbers of elk and bison in Yellowstone National Park are currently at record levels. The fire damage to winter range, if coupled with a hard winter, could lead to unusually high levels of winter mortality or record numbers of animals leaving the Park to search for food. Since Montana manages the animals that migrate from the Park within our boundaries, we believe that the fire situation strengthens the need for a more flexible policy regarding the control of animal numbers within the Park. We encourage the Park Service to involve the Montana Department of Fish, Wildlife and Parks in discussions regarding such management options.

Another concern is brucellosis, an endemic disease in Yellowstone's bison. Brucellosis may be transferable between bison and cattle, and hence increased out-migration of bison raises special concerns to Montana's livestock industry. Montana is certified as brucellosis free -- a designation that greatly simplifies both the cost and the ease of shipping cattle from the state. For the past two winters, we have been forced to hold a series of controversial bison hunts to deal with this problem. Should more bison be forced to migrate from the park, an already difficult situation would be made even worse.

Mitigation of the Yellowstone Fire situation requires coordinated efforts among federal, state and local agencies. Such coordination is essential if public confidence is to be maintained. Thus, I again urge that a White House level emissary be designated to ensure that all of the various Federal agencies involved do so in concert with one another. Montana looks forward to participating in such efforts.

Sincerely,

TED SCHWINDEN
Governor

cc: Governor Mike Sullivan
Judy Black
bcc: Jim Flynn
Dennis Hemmer
Terry Cohea
Grace Hayden

# STATEMENT BY GOVERNOR MIKE SULLIVAN

U.S. SENATE SUBCOMMITTEE ON SMALL BUSINESS
FIELD HEARING
BOZEMAN, MONTANA
SATURDAY, SEPTEMBER 24, 1988

GOOD MORNING. AS GOVERNOR OF WYOMING, I REGRET I AM UNABLE TO BE WITH YOU THIS MORNING. I APPRECIATE THE OPPORTUNITY AFFORDED BY SENATOR BAUCUS AND MEMBERS OF THE SUBCOMMITTEE TO MAKE THIS STATEMENT FOR THE RECORD AND WANT TO THANK GOVERNOR SCHWINDEN FOR CONSENTING TO PRESENT THIS STATEMENT.

THE SUMMER OF 1988 WILL BE RECORDED IN HISTORY AS THE SUMMER OF THE EPIC FIRES IN YELLOWSTONE NATIONAL PARK. MORE THAN A DOZEN FOREST FIRES ROARED ACROSS YELLOWSTONE, ENCOMPASSING WITHIN THEIR PERIMETERS MORE THAN HALF OF THE PARK'S 2.2 MILLION ACRES AND THREATENING VISITOR FACILITIES INSIDE THE PARK AND WHOLE COMMUNITIES IN THE YELLOWSTONE AREA OF WYOMING, MONTANA AND IDAHO. AS WE ALL KNOW, THE FIRES WERE NOT LIMITED TO YELLOWSTONE, BUT INCLUDED OTHER FORESTS WITHIN OUR STATE AS WELL.

OTHER HEARINGS WILL ASSESS THE ENVIRONMENTAL EFFECT OF THE FIRES ON THE PARK, BOTH THIS SUMMER AND IN YEARS TO COME, AND WILL REVIEW THE FIRE MANAGEMENT POLICIES IN YELLOWSTONE AND GRAND TETON NATIONAL PARKS AND IN SURROUNDING NATIONAL FORESTS.

AND I HOPE ONE WILL LOOK INTO THE PSYCHOLOGICAL EFFECTS OF THE DEVASTATION WE HAVE WITNESSED. FOR MANY OF US IN WYOMING, AS FOR MANY HERE IN MONTANA AND NEIGHBORING STATES, WATCHING YELLOWSTONE BURN HAS HAD A PROFOUND IMPACT, BECAUSE WE REGARD YELLOWSTONE LESS AS A NATIONAL TREASURE THAN AS OUR SECOND HOME. THE FIRES BURNING NIGHTLY ON TELEVISION SOMETIMES SEEMED TO SCAR OUR SOULS AS WELL AS THE LANDSCAPE.

THIS HEARING IS INTENDED TO DISCUSS THE ECONOMIC IMPACT OF THE FIRES ON THE PARK AND SURROUNDING COMMUNITIES AND STATES AND DETERMINE MEANS OF ASSISTANCE. I WELCOME THIS CHANCE TO SHED WHAT LIGHT I CAN ON THE EFFECTS ON WYOMING, BOTH SHORT-TERM AND LONG-TERM.

WHILE THERE IS NO QUESTION THAT THE FIRES PRODUCED A MULTI-MILLION DOLLAR LOSS FOR WYOMING'S TOURISM INDUSTRY THIS SUMMER AND FALL, WE ARE NOT ABLE AT THIS TIME TO ASSESS FULLY THE EXTENT OF THOSE LOSSES. INDEED, THE FIRES ARE STILL BURNING, AND WE ARE STILL FEELING THE EFFECTS.

HOWEVER, IT APPEARS THE FIRES ARE PRODUCING A MOSAIC IMPACT ON OUR ECONOMY AS WELL AS WITHIN THE PERIMETER OF THE AREA BURNED IN YELLOWSTONE. AND I SUSPECT OUR MAJOR CONCERN IS THE LONG-TERM ECONOMIC IMPACT OF THE FIRES. I WILL ELABORATE, IF I MAY.

WYOMING'S TOURISM INDUSTRY IS NEARLY A BILLION-DOLLAR-A-YEAR INDUSTRY, AND MUCH OF IT IS FOCUSED IN NORTHWESTERN WYOMING AND THE AREA IN AND AROUND YELLOWSTONE AND GRAND TETON NATIONAL PARKS. WE WERE ANTICIPATION A RECORD YEAR THIS YEAR IN TERMS OF VISITORS AND MONEY SPENT, BUT THE INITIAL INDICATIONS ARE THAT WE WILL FALL FAR SHORT OF THAT.

FOR SEVERAL WEEKS, A TEAM FROM THE WYOMING ECONOMIC DEVELOPMENT AND STABILIZATION BOARD AND OUR LOCAL MAIN STREET PROGRAMS IN CODY AND JACKSON, OUR TWO LARGEST GATEWAY COMMUNITIES, HAVE BEEN COLLECTING DATA TO TRY TO DETERMINE THE ECONOMIC LOSS ON INDIVIDUAL BUSINESSES. THE IMPACT WAS OBVIOUS IN FOUR NORTHWESTERN COUNTIES CLOSEST TO THE PARKS -- PARK, FREMONT, SUBLETTE AND TETON -- BUT ALSO APPARENT ELSEWHERE IN THE STATE ON THE MANY ARTERIES LEADING TO YELLOWSTONE. YESTERDAY I WROTE TO THE SMALL BUSINESS ADMINISTRATION ASKING FOR A CERTIFICATION OF WYOMING COUNTIES WHICH SUFFERED THE ECONOMIC LOSS MOST READILY ASCERTAINABLE AT THIS TIME.

WE HAVE NOT YET COMPILED THE RESULTS OF THESE SURVEYS WHICH ARE BEING CONDUCTED, BUT I ASK PERMISSION TO APPEND THEM TO THE RECORD OF THIS

DURING AUGUST, WHEN THE FIRES SPREAD AND INTENSIFIED, PRELIMINARY FIGURES INDICATE AT LEAST A 30 PERCENT DECLINE IN TOURISM, AND WE BELIEVE THE DECLINE WILL BE EVEN GREATER FOR SEPTEMBER, WHEN YELLOWSTONE PARK VIRTUALLY CLOSED BECAUSE OF THE FIRES.

AND I SUSPECT THE SMOKE, NEWS ACCOUNTS AND GENERAL UNCERTAINTY OF THE SITUATION SINCE MID-JULY PROMPTED THOUSANDS OF OTHER VISITORS TO STAY HOME OR VACATION SOMEPLACE ELSE. HOW MANY, WE'LL NEVER KNOW.

BUT WE KNOW THAT IN EARLY AUGUST, A 54-UNIT MOTEL IN CODY HAD ONLY 11 OCCUPANCIES ONE NIGHT, 13 THE NIGHT BEFORE. WE KNOW THAT TW SERVICES, THE PARK CONCESIONNAIRE, CLOSED ITS VISITOR FACILITIES INSIDE THE PARK SEVERAL WEEKS TO MORE THAN A MONTH AHEAD OF SCHEDULE. ONE OUTFITTER WHO OPERATES OUT OF GRAND TETON NATIONAL PARK LOST HIS HUNTING CAMP IN THE TETON

WILDERNESS, HIS FISHING CAMP IN YELLOWSTONE AND NEARLY LOST HIS HOME RANCH -- ALL FROM THREE DIFFERENT FIRES.

YET I MENTIONED A MOSAIC EFFECT, MUCH LIKE THE FIRES HAVE SKIPPED ACROSS ENTIRE MEADOWS AND STANDS OF TREES. WE ARE FINDING THAT SOME BUSINESSES, AT LEAST, HAVE FOUND NEW CUSTOMERS TO REPLACE THE LOST TOURISTS -- FIREFIGHTERS AND SUPPORT CREWS AND THE NEWS MEDIA WHO HAVE SWARMED TO THE PARK.

THAT IS NOT THE KIND OF VISITOR WE NORMALLY HOPE TO ATTRACT TO YELLOWSTONE, AND NOBODY WILL PRETEND THAT THE FIREFIGHTING EFFORT WILL MAKE UP FOR THE LOSSES IN THE TOURIST SEASON. BUT AT THE SAME TIME, WE CANNOT DISCOUNT THE EFFECT THAT A 100 MILLION DOLLAR FIREFIGHTING EFFORT IS HAVING.

WE IN WYOMING ARE SEEKING ECONOMIC ASSISTANCE FOR AFFECTED BUSINESSES THROUGH SMALL BUSINESS ADMINISTRATION LOANS AND ARE PURSUING OTHER CHANNELS. BUT I WELCOME THIS HEARING TO EXPLORE AND PERHAPS ILLUMINATE OTHER SOURCES OF RELIEF FOR INDIVIDUAL- AFFECTED BUSINESSES.

HOWEVER, WITHOUT DETRACTING FROM THE LOSSES SUFFERED THIS SUMMER AND FALL, I MUST SAY THAT WE ARE WORRIED MORE ABOUT THE ECONOMIC IMPACT ON OUR TOURISM INDUSTRY IN THE FUTURE, THE COMING DECADE.

THE WIDESPREAD ATTENTION ON THE YELLOWSTONE FIRES AND THE INTENSE MEDIA COVERAGE HAS PUT YELLOWSTONE IN THE MINDS OF MANY PEOPLE, AND WE DO ANTICIPATE LARGE CROWDS OF CURIOUS VISITORS NEXT SEASON. BUT AFTER THAT, THERE IS A REAL DANGER OF A SERIOUS, DEVASTATING DECLINE IN TOURISM TO YELLOWSTONE IF THE PERCEPTION PERSISTS THAT YELLOWSTONE HAS BURNED TO THE GROUND.

THAT IT CONSISTS OF NOTHING BUT CHARRED AND UGLY STUMPS AND RUINS.

THAT WOULD WIPE OUT OUR TOURISM INDUSTRY, THE ONE INDUSTRY THAT OUR MINERAL- AND AGRICULTURE-DEPENDENT STATES HAVE SHOWN SOME ABILITY TO IMPROVE AND ENHANCE.

COLLECTIVELY, THE BEST ECONOMIC RELIEF FOR OUR TOURISM INDUSTRY IN THE YELLOWSTONE AREA IS A MASSIVE, COORDINATED EFFORT TO PROMOTE THE YELLOWSTONE AREA. WE MUST CONVINCE THE REST OF THE COUNTRY AND WORLD THAT THE CROWN JEWEL OF AMERICA'S PARK SYSTEM HAS NOT BEEN DESTROYED. GOVERNOR SCHWINDEN AND I HAVE JOINTLY ANNOUNCED A COORDINATED TOURISM PROMOTION EFFORT BETWEEN OUR RESPECTIVE TOURISM AGENCIES AND HAVE REQUESTED FEDERAL PARTICIPATION IN THIS EFFORT. I HAVE WRITTEN TO SECRETARY LYNG AND SECRETARY HODEL

EXPRESSING MY CONCERNS REGARDING ENVIRONMENTAL, TOURISM AND ECONOMIC ASSISTANCE, AND I ATTACH A COPY OF THAT LETTER TO THIS STATEMENT.

I IMPLORE THE CONGRESS TO GIVE THE NATIONAL PARK SERVICE AND THE U.S. FOREST SERVICE THE TOOLS, RESOURCES AND BUDGET ALLOCATIONS TO JOIN WYOMING, MONTANA, IDAHO, THE COMMUNITIES AROUND THE PARK AND THE PRIVATE TOURISM INDUSTRY IN THIS PROMOTIONAL EFFORT. HELP US GET THE WORD OUT THAT YELLOWSTONE WILL BE REBORN NEXT SPRING AND WILL REMAIN FOR YEARS TO COME A UNIQUE, REMARKABLE AND BEAUTIFUL PLACE TO VISIT. I ASK THIS COMMITTEE, AS WELL, TO ASSIST US IN OUR EFFORTS TO SECURE ECONOMIC ASSISTANCE FOR SMALL BUSINESSES IMPACTED BY THE FIRES IN ORDER THAT WE MAY

AVOID ECONOMIC SCARS WHICH ARE EQUIVALENT TO THOSE WHICH EXIST IN OUR BEAUTIFUL FORESTS.

AGAIN, THANK YOU FOR YOUR CONCERN AND THE OPPORTUNITY TO MAKE THIS PRESENTATION.

(END)

**STATE OF WYOMING**
OFFICE OF THE GOVERNOR
CHEYENNE 82002

MIKE SULLIVAN
GOVERNOR

September 12, 1988

The Honorable Donald Hodel
Secretary of the Interior
United States Department of the Interior
Washington, D.C. 20240

The Honorable William Taft
Acting Secretary of Defense
United States Department of Defense
Washington, D.C. 20301-8000

The Honorable Richard Lyng
Secretary of Agriculture
Washington, D.C. 20250

Gentlemen:

Please let me take this opportunity to again express my appreciation for your visit, at the President's request, to the western wildfire area and for the obvious concern you exhibited over the tragic circumstances which we witnessed. I particularly want to thank you for including Governor Schwinden and me on the tour and for providing us the opportunity to share with you our concerns.

As you are no doubt aware, the weather provided additional assistance on Sunday with a welcome snow, which at least is a positive in moving to conclude this nightmare. In the meantime, I wanted to reiterate our concern and the urgency with which we believe the ongoing problems must be addressed. Of course, the foremost priority must be to extinguish the fires. Nevertheless, both concurrent and post-fire management concerns, as discussed by Governor Schwinden and myself, remain.

In line with our discussions, please be advised that I have appointed Rod Miller of the State Planning Coordinator's Office to be my point of contact with your people on all peripheral matters related to fire relief and mitigation programs. As to those matters directly related to fire suppression and our continued assistance and support, I would envision no changes in current lines of communication, which seem to have worked satisfactorily. As to those various matters relating to mitigation and post-fire programs, I would hope Rod, as the first point of contact, could coordinate our involvement, direct communication to and among the proper state and federal agencies or resources, and expedite the many matters we have discussed. Rod's address and phone number are as follows:

State Planning Coordinator's Office
Herschler Building, 2nd Floor East
Cheyenne, WY 82002
Office Phone: (307) 777-7574
Home Phone: (307) 637-4229

Finally, let me quickly reiterate those areas of concern which we discussed and which I trust you will have recommended to the President as a result of your trip.

(1) Air quality concerns - monitoring equipment and appropriate responses, should we be required under applicable regulations to declare an emergency.

(2) Budget allocation and flexibility - both current flexibility for special problems and ongoing support for Park and Forest Service budgets relating to maintenance and rehabilitation (including review of appropriate revegetation and reforestation).

(3) Snow monitoring equipment - assure that the best information and data is available as to the nature and impact of spring runoff.

(4) Riparian zones - riparian zone problems and what may be done to protect those zones must be immediately addressed to mitigate the consequences of the spring runoff.

(5) Wildlife management - we are concerned about wildlife migration and habitat

alteration to assure the protection and preservation of this valuable resource, as well as avoiding the spread of brucellosis into our states.

(6) Travel marketing and promotion - this is a matter of particular concern, both short-term and long-term. Coordination between all private and public sector parties, as well as commitment or redirection of resources to the marketing of Yellowstone, must be addressed to avoid the perception that Yellowstone is a pile of ashes. Some kind of effort at immediate familiarization tours for travel operators may have some merit in this area.

(7) Economic relief and damage mitigation - We have already discussed the SBA "Economic Disaster Area" program and the hope that it can be a part of the resolution. We have had a number of businesses suffer substantial economic impact, including outfitters whose camps have burned, and the mitigation of these losses through existing programs or special legislation is of immediate concern.

(8) White House presence - The appointment of someone with multi-agency experience and the location of that person in this region to coordinate information and efforts was discussed and would seem to have substantial merit.

(9) Local contractors - Though not directly discussed, I am sure Governor Schwinden would agree that you should make every effort to see that local and regional contractors and universities are utilized to the fullest extent possible as the various efforts and programs are implemented.

Finally, I would reiterate my earlier request, which I note is one of many, that a thorough public review of policies and actions as they relate to fire suppression and the natural-burn policy be instituted once these wildfire have been put behind us. I am sure all of the states involved would insist upon the opportunity to participate in that review. I await your prompt response and again wish to thank each of you and the President for your efforts.

With best regards, I am

Very truly yours,

Mike Sullivan

MS:rb

cc: The Honorable Ted Schwinden
The Honorable Malcolm Wallop
The Honorable Alan K. Simpson
Ms. Judy Black, White House
Mr. Joseph Gorrell, DOI
Mr. George Dunlop
Mr. Dale Robertson
Ms. Lorraine Mintzmier
Mr. John Mumma
Mr. Stan Tixier
Mr. Gary Cargill
Mr. Bob Barbee
The Honorable Dick Cheney

Senator BAUCUS. Thanks, Governor.

Now are you going to request a disaster designation of——

Governor SCHWINDEN. All the counties.

Senator BAUCUS. All the counties.

Governor SCHWINDEN. Sixteen so far.

Senator BAUCUS. And you hope to submit that roughly around October 1?

Governor SCHWINDEN. Right.

Senator BAUCUS. Now what will that trigger?

Governor SCHWINDEN. That triggers—and you have SBA people here who could probably be more specific than I—it triggers both the programs that I referred to, the Physical Disaster Program and the Economic Injury Disaster Program.

Senator BAUCUS. Isn't there another designation where the Governor of a State may request of the President disaster designation for counties or for a State?

Governor SCHWINDEN. You can request a Presidential disaster, but in our discussions with the administrations of the Governors of both Idaho and Wyoming, none of us intend to seek a Presidential declaration due to fire damage. We have found that really the level of damage sustained apparently does not qualify for the declaration and that the programs that would be a part of that do not appear to necessarily fit what we need out here right now. Both the other States are going to do exactly as I have chosen to do here, which is seek an SBA declaration to trigger the loan programs in our State.

Senator BAUCUS. Do you have a rough estimate as to what degree present programs will make Montanans economically whole again? How far and by what amount do you think they miss the mark?

Governor SCHWINDEN. Well first of all, Max, I would guess that as you listen to testimony today from ranchers and other people affected, they can give you a much more precise dollar figure on what they have suffered. Some of the losses that have occurred will be at least in part mitigated. I would mention what I think has been the extremely responsive action on the part of Fish, Wildlife and Parks people to attempt to maintain good relationships with not only outfitters in-State but people from out of State. We have furnished some refunds to people who were deprived of their hunting opportunities. The Fish, Wildlife and Parks Commission—and Mr. Flynn can give you the specifics—has made some significant modifications in the hunting schedule, which not only will benefit hunters but may well assist some of the outfitters by tacking onto the end of a season some of the time that they lost either because of fires.

There are some specific losses in particular in the area that was devastated by the Canyon Creek fire, miles of fence to be replaced. I mean certainly that emergency hay loan that Mr. Kelly put into effect is not intended to deal with the long-term results, and I have no idea, Max, how much hay was actually destroyed up there when the fire ran the boundary. It is going to be, I think, very difficult to pin down. And again, I note you have testimony here from some of the people who ran tourist-type facilities, from Hamilton Stores to some of the motel operators. They have some mixed blessings because on the one hand, they lost clients, but in some areas they got some people they did not expect, which were the fire service people.

So I really think the most significant loss to the State in the long-run, potentially, could be the impact on the minds of people in this country and around the world from six weeks of Yellowstone fire coverage. I had three students from Italy who came into my office about a week ago, young college students, all of whom had seen me on Italian television talking about the Yellowstone fires. And that is the one I cannot quantify.

Senator BAUCUS. That happened to me too, I talked to some people from France that saw it on television in France too.

Governor SCHWINDEN. Sure. I mean I think for about 4 or 5 weeks, I am not sure that there was an evening that I saw the news that the Yellowstone fires were not either the lead story or somewhere in there. And if a perception were to grow that somehow Yellowstone has been destroyed or is a disaster, it could have a significant impact on the economy of this entire region because while we have many tourist attributes in the State of Montana, I think our promotion people would tell you that Yellowstone and Glacier are the sort of linchpins upon which we tie our tourist promotion effort.

Senator BAUCUS. To what degree do you think some of these losses should be compensated for?

Ordinarily in this country when there is a natural disaster, we have the traditional disaster programs which are in the nature of low-interest loans. Mount St. Helens was a natural disaster and the drought that we have had in the last couple of years is a natural disaster. For these kinds of disasters, we ordinarily tend to give low-interest loans to help mitigate the damage.

On the other hand, when the Government is at fault many people believe the Government should pay. That is why we have the Federal Tort Claims Act, for example. It is very slow, it is very lengthy, it is cumbersome and some folks think it does not work very well. But nevertheless, the theory is that Uncle Sam caused a problem and therefore Uncle Sam should compensate for it.

Now in the case of drought, we gave assistance beyond just low-interest loans even though it was a natural disaster. It was not caused by the Government—although some people may think that it was. [Laughter.]

Governor SCHWINDEN. I did not say that, Max. [Laughter.]

Senator BAUCUS. It still is a natural disaster and we gave drought assistance in various forms, so it blurred the line a little bit. Now in the case of the fires, some were "let burn" by the Federal Government until they got out of control. This is true, for example, up in the Scapegoat.

Governor SCHWINDEN. Right.

Senator BAUCUS. The basic question is how far do you think Uncle Sam should go in directly compensating folks who have been injured by a "let burn" fire?

Governor SCHWINDEN. Well I think you can draw some extremes. I mean, you know, I strongly feel that as a farmer I have a responsibility to carry crop insurance and I do; that as a homeowner, I have a responsibility to have fire insurance or whatever kind of insurance on my home. That is sort of the easy end of the equation.

Where there is a clear case of governmental liability, whether it is State, Federal or local, particularly with the changes in sovereign immunity over the years. I mean there ought to be, and in many cases there is, a simple method by which you can achieve equity.

I think when we get into the blurred area is where you have a Federal policy of prescribed fire management, as Canyon Creek, for example, and that fire burns far outside an area of exclusive governmental authority and clearly causes some damages. I think to the extent certainly that those damages are not covered by insurance, there is a Federal liability. I do not know and I suppose ultimately if there is a lawsuit, it is decided that way. If there is legislation, then it is Congress' intent.

You mentioned the drought relief package to agriculture, and at least in my mind I assume that what Congress believed is that the ultimate cost to our society by failing to provide additional funds beyond crop insurance or to the uninsured outweighed the cost of the federal program to the Federal taxpayer.

And I think in some of the areas we are talking about here, that same kind of judgment–it is not a clear case of liability and it is not a clear case of "it ought to be private responsibility', but I would hope that if your legislation passes that establishes a commission, that they are given the flexibility to deal on a case-by-case basis so that they can measure the specific impacts, the differential between insured areas of their loss and the non-insured. And as I said, to me the clearest area of responsibility at this point, insofar as both Montana and Wyoming is concerned, in our major efforts to out-reach into the international tourism market, is to make sure that we do not eliminate Yellowstone as a major destination for recreation around the world.

Senator BAUCUS. I think you are absolutely right.

We must promote tourism, as you and Governor Sullivan have suggested to offset some of the black 6 or 7 weeks of television coverage of the fires. We must work quickly to bring tourists back to our beautiful State.

Governor Schwinden. The other thing I would say—and let me conclude by saying thank you for the opportunity to testify and respectfully request once again that you and the other members of the delegation from this and the States that have been so affected by the fire, make certain that in the waning days of the Reagan administration, that the urgent need for expeditious handling of the SBA and other requests does not sort of fall into that lame duck period that could well characterize the time between now and the first of the year, because some of the folks in this room cannot wait that long.

Senator BAUCUS. That is a good point. Thank you very much, Ted. We appreciate it.

The next witness is Bob Barbee, Yellowstone Park superintendent.

This has been a year that we certainly hope does not happen again. Go ahead, Bob.

## STATEMENT OF ROBERT D. BARBEE, SUPERINTENDENT, YELLOWSTONE NATIONAL PARK

Mr. **Barbee**. Well we certainly hope it does not, for sure.

Senator, I have a prepared statement that I would like to read that represents the views not only of the National Park Service, but of our Department, the Department of Interior. And with your indulgence—it will not take long—I would like to read it.

Senator **Baucus**. You bet.

Mr. **Barbee**. I appreciate the opportunity to appear before this Subcommittee today to present views of the Department of the Interior on this important matter; specifically, the impact of this summer's fires in the Greater Yellowstone Area on small businesses and communities. Notwithstanding the fact that over—at least approximately 5,000 firefighters are still working on the major fires within the park at this time, we have already initiated development of a post-fire response plan which outlines actions we propose to undertake to address this situation. I would like to share with you today some of the preliminary concepts that are contained in that plan.

A key element of our plan provides for immediate restoration of all essential services within the park in order to maintain visitor access throughout. That is well underway, all the park is open now and so I am pleased to announce that we have accomplished that at least for the most part, certainly in the front country. Despite the magnitude of the fires within the park boundary this summer, park roads and facilities remained open to visitors to the maximum extent practicable consistent with visitor safety. Diesel generators are continuing to provide power necessary to operate park facilities, despite the loss of approximately 18 miles of power line. Extensive rehabilitation efforts, including cuttings of snags, clearing of down trees in developed areas and roadside clearing is continuing on a 7-day-a-week basis by both fire crews and park maintenance crews. Due to the inconvenience created for some visitors, I directed, with the concurrence of our Director and the Department, the discontinuation of entrance fee collections, which began on August 24, and we intend to defer any further collection of entrance fees until the winter season begins.

Senator **Baucus**. When is that?

Mr. **Barbee**. Sir?

Senator **Baucus**. When is the winter season?

Mr. **Barbee**. As soon as the snow falls.

Essential rehabilitation efforts will be completed this fall, and the park will be available for what we expect will be a very, very busy winter season.

Mr. Chairman, in addition to undertaking all necessary efforts to ensure that the park remains fully available to visitors, we intend to cooperate with others in the economic recovery of those communities surrounding the park. I met just this week with our Assistant Director—that is the Assistant Director of the National Park Service for Tourism, and we have outlined a number of steps we plan to undertake to let the public know of the outstanding opportunities available to visitors to our region. Specific strategies which we plan to pursue include, for example, sending a National Park

Service representative to national and international travel trade/consumer marketing events this fall and spring, and continuing our concerted efforts with the travel trade press to present the Greater Yellowstone Area story. We certainly plan to work in partnership with the State Tourism Office here in Montana as well as other surrounding States to develop strategies to make the public aware that the park's spectacular features, including wildlife and a host of natural landmarks, have been unaffected by these fires. We are also working in close cooperation with our park concessioners in an attempt to embark upon a major marketing efforts, which in some cases has already begun.

The National Park Service is sensitive to the concerns of the local communities regarding any impacts caused by these fires. In recent discussion with the Area Command in West Yellowstone, I have requested that they place a high priority on the completion of all fire damage documentation so that property losses, where they may exist, can be resolved expeditiously. It is my understanding that this phase of our post-fire work is essentially complete at this time. We are working hand-in-hand with our sister agency, the U.S. Forest Service in this regard, as they too have a major responsibility in this area as well.

I may add parenthetically, although it is not in my prepared statement, that even though this process is well underway, the only way the Department of Interior can compensate private parties for their losses is through the Federal Tort Claims process, which you alluded to a few moments ago.

Mr. Chairman, I believe that the program that I have outlined is responsive to the needs of small businesses and communities surrounding the park. I appreciate the opportunity to be here today to bring you and the other Members of this subcommittee as well as the public assembled our most recent thinking.

Naturally, we appreciate the opportunity to share this information with local communities while at the same time listen to their concerns.

This concludes my prepared remarks. I will be pleased to respond to any questions that you may have.

Senator BAUCUS. Bob, what rehabilitation efforts does the park plan to work on? For example, what efforts are you making for reforestation, reseeding, and attempts to protect the wildlife? I know that some people think rehabilitation should be natural, others think it should be helped by man. I am wondering what specific efforts the park is now planning for rehabilitation.

Mr. BARBEE. Well rehabilitation would fall under several categories. There is the more obvious concerns that I think there would be little debate or question about and that is in regard to the scenic corridors along the extensive road system in Yellowstone, picnic areas, scenic vistas, concerns regarding hazard trees that burned in these areas. And we will be continuing that process——

Senator BAUCUS. So along the scenic corridors, what—reforestation efforts?

Mr. BARBEE. Well I think we have to look at what is there and what is not there. Many areas, of course, were unaffected by the fire. Those areas that were affected, if necessary, along the roadsides, in the picnic areas, in the developed areas, we have a landscape crew that is working as we speak, that will be assessing what needs to be done and if necessary certainly that would include the planting of trees and other strategies to soften the impact of the fire.

Senator BAUCUS. And outside of corridors, what?

Mr. BARBEE. All right, I know that everybody here and certainly yourself, are very much concerned about impacts of the fire on wildlife, winter range, range in general, certainly on the short-term basis, if not the long-term basis; concerns about revegetation, an extraordinary amount of area has been burned but at the same time the large figures that we hear, 1.2 million acres—while we will not know exactly for the next month or more how much was actually burned, preliminary estimates range in the neighborhood of about 35 percent, and that varies in intensity.

There is a great concern about some of the watersheds and in addition to that, these other comments that I made relative to water quality, erosion, sedimentation, that sort of thing.

So what are we doing, what is underway at the moment? As you know, Yellowstone not only has a local, regional constituency, but a national and international constituency. It occupies a unique niche in our public lands. We certainly do not want to move into programs precipitously without without bringing into focus what actually needs to be done. We are assembling, with the U.S. Forest Service—you will be hearing from Assistant Secretary Dunlop later on as I understand.

Senator BAUCUS. Yes.

Mr. BARBEE. We are assembling at the moment, a team of experts who will be specialists in wildlife, who will address the concerns about the possibility of supplementary feeding; is it or is it not necessary. That group will include vegetation specialists to critically examine what is out there in the way of seed sources for natural revegetation and if there indeed is a need to pursue any further supplementary seeding. This group will include specialists in hydrology, sedimentation, and soils, who will be looking at the watersheds and they will be moving fairly expeditiously, we hope, to have them assembled within the next 2 weeks. They are currently being contacted.

Senator BAUCUS. Are you under any guidelines by the Office of Management and Budget or anyone else in Washington as to how far you should go or how many dollars you will have available to spend?

Mr. BARBEE. At this point, the Secretary—Secretary Hodel—who as you know has been on the scene twice, he has spoken to the matter and demonstrated his concern. He has spoken with me personally, with our Regional Director and Director and at this point he has asked us to work with a give serious consideration along with the U.S. Forest Service, who we are cooperating with on this, give it the best shot that we can. He has not placed any constraints on us at this point. I am sure money will be a consideration, but it is premature to comment on just exactly what these cost figures will be, although we do have underway at the very moment and I hope to have it completed next week, a preliminary cut as far as what our recovery plan would consist of.

Senator BAUCUS. So next week, we can expect a preliminary assessment of what the park would like to spend to try to rehabilitate certain areas, is that right?

Mr. BARBEE. That is right, a recovery plan that consists not only of a look at rehabilitation and these biological/physical considerations, but also travel and tourism. There is a tremendous amount of private sector interest in this, we have had a number of initiatives that—we have been approached by private sources interested in helping any way they can. So all this is underway at the moment, and with our indulgence, Senator, I am sure that you realize that we are still in the middle of a battle, although it is we hope on the waning end, and these—even though we are working expeditiously, these things do take time. It is an extensive program and——

Senator BAUCUS. What is the park policy on timber salvage?

Mr. BARBEE. Timber salvage?

Senator BAUCUS. Yes.

Mr. BARBEE. Well we have——

Senator BAUCUS. What will the policy be now, post-fire.

Mr. BARBEE. Post-fires?

Senator BAUCUS. Yes.

Mr. BARBEE. Well certainly the National Park Service does not have a program of timber salvage in the traditional sense, although the areas which were burned near developed areas along the roadside, thousands of—well tens of thousands of snags, trees that were considered a safety hazard, have been cut. And while we have not bucked them up into fireplace size, they are there now, they have been bucked up—at least cut up, so that folks in the region can come in and get them and there are literally thousands and thousands of cords of firewood that are leaving Yellowstone every day. So salvage in that sense is underway. We are not charging for this.

Senator BAUCUS. So it is a firewood salvage program.

Mr. BARBEE. Yes, sir.

Senator BAUCUS. What plans do you have to inventory damage to the concessioners and other private property in the park?

Mr. BARBEE. Well to the extent that National Park Service fires—and I think you are well aware and I know the members—many of the folks that are here with us today are well aware that many of these fires were generated within Yellowstone, so to speak, whether they be a natural fire or a man-caused fire. A considerable number of them did not—in other words, the acreage that we hear, even within the park, were not fires that were generated within the park per se. All of this needs to get sorted out. A realistic assessment of what damage has taken place as far as physical damage, and that is well underway, in fact should be nearly complete, at least on a preliminary basis.

The more indirect impacts to concessioners—and we will be hearing from Hamilton Stores today—as well as in the communities, I believe one of the reasons for this meeting is to determine what sort of an impact the fires have had on these communities, so—and the businesses—so the portions that we have direct responsibility for, we are well underway and we want to join with not only the delegation, but the Governor and his representatives in assisting in any way that we can.

Senator Baucus. Well thank you, Bob. I want you to know—and I think I can speak for everybody in the delegation, that we want to help you restore those parts of the park that should properly be restored. Obviously we cannot go in, and should not go in, and reforest the entire park, that does not make much sense. But you have the strong support of the delegation and we will help you do what has to be done. Whether its approaching the White House or other agencies, we are here to help.

Mr. Barbee. Thank you very much, Mr. Chairman. I might just in closing add—and I know you will be accenting this and I know the travel and tourism people will be and the Governor certainly has alluded to it, that Yellowstone is certainly still here and the essential inherent features for which that park was established are unmodified.

Senator Baucus. Alive and well.

Mr. Barbee. They are alive and well, yes, sir.

Senator Baucus. Thank you very much, Bob.

All right, now we are going to rearrange the witness table here because I think our next panel is a series of folks, so if you will bear with us a moment or two please.

[Pause.]

Senator Baucus. All right, our next panel is a big one. It includes Mr. Jack Mahon, who is operations manager of Sequoia Forest Industry in Townsend; Dennis Chatlain, 7C Outfitters out of Red Lodge; Clyde Seely, Three Bear Lodge and Restaurant, West Yellowstone; Carlo Cieri, Park County Commissioner; Don Converse from a ranch out of Augusta; Terry Povah, president of Hamilton Stores; and Mr. Ed Johnson from the Gardiner Chamber of Commerce.

Jack, why do you not begin and then we will go down the line.

## STATEMENT OF JACK MAHON, OPERATIONS MANAGER, SEQUOIA FOREST INDUSTRY, TOWNSEND, MT

Mr. Mahon. I am Jack Mahon, Senator Baucus. I have a prepared statement, which I would like to read.

This year's fire season has had a big impact on Montana's short-term and long-term economic picture. Any time a resource is destroyed over a large area, the consequences are felt beyond that area. The bad effects are multiplied when, as in the case of burned timber, the resource is not salvaged. This situation highlights several issues which we feel should be addressed:

No. 1. The Canyon Creek fire which started in the Scapegoat Wilderness Area June 26 was ignored for 65 days. Then on August 30, it came roaring out of the wilderness area west of August and burned far out into private last east of the National Forest. It turned a total of 247,000 acres. There has been a terrible loss of improvements, ranch resources and private timber. Landowners and property owners should be compensated for measurable losses, but they can never be compensated for lost opportunities.

No. 2. There appeared to be considerable frustration in the early hours of the Warm Springs Creek fire in the Elkhorns Wildlife Management Area south of Helena. "Can we use fire retardant?" "Can we use dozers?" This fire ultimately consumed 46,900 acres, burned up to 235 million board feet of timber, and destroyed numerous homes and cabins. We believe that all usable timber should be salvaged. The logging operation will prepare the seedbed for millions of lodgepole pine seedlings to develop. These seeds are already on the ground, having come from cones opened by the heat of the fire. Harvesting of timber must be done within a year of the fire to recover usable logs. If burned trees are not harvested, they will fall to the ground over a period of time, creating an unusable area for elk and deer for many years.

No. 3. Under traditional public land management, man benefits from ongoing uses of the land, also protects the land and thus averts resource losses and economic disaster. We believe this concept must have greater emphasis in the re-evaluation of the "let burn" policy. All public land management policies must undergo the test as to what is a fiscally prudent use of tax dollars. The "let burn" policy does not pass this test.

No. 4. Wildlife habitat manipulations should be done on a preplanned basis, making use of the resources removed. The soil and water impairments, wildlife and fish losses, and the loss of private land resources and business opportunities resulting from this past season's fires is not acceptable. It has created a catastrophe of overwhelming proportions. The domino effect will last for years for private business and the resources themselves.

In conclusion, I would like to re-emphasize seven points:

No. 1. "Let burn" does not pass the test of fiscal responsibility.

No. 2. Waste of resources is not acceptable. Burned timber must be salvaged timely, while it still has value for lumber. I recommend force majeure extensions of Forest Service timber sale contracts to allow all-out effort to salvage burned timber including that on private land.

No. 3. Timber at risk from insects and disease must be salvaged. I particularly want to address the Elkhorns Wildlife Management Unit. We do not feel the door should be closed on the management of this area. We should have the opportunity to avert natural disasters and convert the land to the best use by citizens as a whole. This should be corrected before the passage of the Montana Wilderness Bill and Senator Melcher has assured us he would do so.

No. 4. Wildlife habitat manipulation must include the salvage of unable timber. Timber harvesting must be recognized as an acceptable method to manipulate habitat where timber has value.

No. 5. Firefighting must be aggressive. We must recognize that some soil, water, and vegetation resources will be sacrificed in fighting the fire in order to avoid far greater resource losses.

No. 6. The "natural look" at any cost must be re-evaluated. Wilderness is worthwhile but let us keep it in perspective. After all, wilderness use has decreased 35 percent since 1971, while other types of recreation has increased 38 percent.

No. 7. We have been studying roadless areas for 20 years. The land base does not grow, but the trees, forage, and wildlife do. Insects and other vulnerabilities also grow. Intensive management and protection are the keys to short term and long term benefits.

That concludes my statement, Senator.

Senator BAUCUS. Thank you, Jack. Dennis, you are next.

## STATEMENT OF DENNIS CHATLAIN, 7C OUTFITTERS, RED LODGE, MT

Mr. CHATLAIN. My name is Dennis Chatlain, I am an outfitter permitted on the Custer Forest. Both my early and general season hunting areas have been burned by the Storm Creek fires. Our clients booked for these areas are unable to reschedule their hunting trips.

Due to my inability to provide hunting opportunities within the timeframe agreed upon during January and February of this year, I am compelled to refund all down payment income received during the booking season. Once we have received a substantial down payment, acquired a license for each hunter and have had our forest itinerary approved, we consider our bookings to be earned income. This money is then used to maintain our business and support our family until hunting season begins.

Although outfitting is considered a seasonal business, as in any business, the expenses are year round. In the aftermath of the Storm Creek fire, the affected outfitters have been placed in a financial crisis over which they had no control.

The down payment revenue, for the most part, has been spent and now when our income season should begin, the prescribed fires in 1988 are preventing our ability to fulfill our agreements with our clients. As you can see, it is mandatory that we reimburse our clientele as soon as possible. For this purpose, many outfitters damaged by the fire will require immediate assistance from the Government. To retain credibility with our clients, we must pay these debts in the near future.

Directly tied to the outfitter losses are those of the employees; guides, cooks, and wranglers. These people have set aside time from their business and jobs to be available during the fall hunting season and are now unemployed.

The effect of this disaster, as it pertains to outfitters will also be felt by many businesses with whom they do business. Bankers, grocers, feed stores, tack stores, gift shops, and many more will lose as a result of the outfitters' lost revenue.

The current situation in which we find ourselves, comes on the heels of the nonresident license disaster just a year ago when nonresident big game licenses were drawn. Many outfitters were unable to license large percentages of their clients due to the fact that the outfitter sub-total of licenses did not equal the actual need. Again our hands were tied, we had no recourse other than to refund down payments of those clients unsuccessful in the drawing.

The problems that have confronted my business in the past were the type of problems that hard work and political action could overcome. The damage caused by the fires this year may be a long-term roadblock for our business. I have discussed some of the possible effects of the fire on the resources with professors from the University of Montana. There will, no doubt, be some areas that will benefit. The shrubs and grass will flourish in areas where the heat of the fire was not so intense. The problem that I perceive is the lack of cover for big game animals. Without cover, these animals will leave the burn areas as soon as the first shot of hunting season is fired.

As yet, I have not been allowed into the hunting area to see the degree of damage to the timbered portions of our country. The future of our business is tied directly to the extent of damage sustained by the nature forest within the permitted area.

Another part of our natural resource is being threatened also. This year elk, deer, moose, and sheep populations may be in danger of experiencing an unusually high winter mortality rate. Many of the normal winter ranges have been burned, at least to some extent. However, unlike the damage done by the fire, the loss of wildlife can be prevented. Close monitoring of the situation and supplemental feeding if necessary can avert a winter disaster. We need to protect and preserve all those parts of the affected resources which to this point have been spared.

In preparing for writing my testimony, I met with several other outfitters who were similarly affected. After reviewing our situations and discussing the major problems confronting us, we have arrived at the follows:

Of the four outfitters involved, our lost revenue amounts to $150,600 due to hunt cancellations for this year. The same four businesses lost $132,200 in the licensing draw of 1987. And now after 2 years of major financial setbacks, they are faced with many uncertainties in the future.

Our livelihoods are being threatened and without assistance, many established businesses will be in danger of bankruptcy. We absolutely need swift and dependable support. Without our Government support, we will surely be able to add many outfitters' names to the list of those things lost in the fires of 1988.

Thank you.

Senator BAUCUS. Thank you very much, Dennis. The next is Clyde, Clyde Seely.

## STATEMENT OF CLYDE SEELY, OWNER, THREE BEAR LODGE AND RESTAURANT, WEST YELLOWSTONE, MT

Mr. SEELY. I have a prepared statement from the Chamber of Commerce that I would like to read immediately after my statement.

The first indicator of adverse impact we noticed in West Yellowstone came at the time of the Grant Village evacuation. The service oriented people were affected first; the hairdressers, auto repairs, service stations, and so on. And then came the fire storms that blew across the canyons, roads, and major tourist attractions. The news became dominated by the thing as it blew worldwide via the media and astonished park visitors. The word went out that the roads were closed and all that remained of Yellowstone was charred and devastated expanse.

The tourists were replaced in some cases by the personnel—by fire personnel, then more firefighters and now by even more military. These people have helped to fill the empty rooms and eat the food of the restauranteurs. Some businesses are even reporting increases the last several weeks.

There are, on the other hand, businesses who are not as fortunate. Some small motels without phones are void of these fire personnel. The campgrounds have been almost vacant for 6 weeks.

The fishing shops have reported, for instance, cancellations in one case of up to $18,000. The museum reported to me of losing over $30,000 in revenue and will end up with a sizable operating loss this year. Parade Rest Guest Ranch has begun receiving cancellations and had to close up a month early because the fishing was closed and the horseback riding trails in the forest were also closed. Approximately $30,000 was lost in revenue.

Builders are reporting projects being canceled because of the uncertainty of the short- and long-term fears of the effects of the fires.

The constant smoke has had a variety of effects from eye, nose, and throat irritations to severe illnesses and respiratory problems. The drug store seems to be doing a landmark business with the increased medicine from the residents and firefighters. Some employees left town because of the smoke, leaving the employer shorthanded to handle the firefighters.

So like the fire mosaics in the park, there are economic mosaics in West Yellowstone. Some businesses have not been affected at all. Yet others have had grass fires burning under their trees. Still others have had fire storms leaving their economic well-being blackened and bleak.

We cannot pretend to know even the short-term effects of the roller coaster economics that we find ourselves in, let alone the long-term effects. And I applaud your efforts here today, Senator, for searching out the best ways to handle these trying times.

My only caution to all of us is not to let off a little steam now and pacify ourselves in the short-term thinking all is well when we really may be only seeing the tip of the iceberg. Not only short-term, but far-reaching solutions must be sought.

Finally, there are other issues which will have to be dealt with economically. These are issues that deeply concern the bordering communities and can even become emotional issues. How these are dealt with is of paramount importance to the relationships of the communities, park and forest personnel and the Government. I do not present these as issues with immediate answers, but concerns that must be thoroughly researched and openly discussed. The most apparent of these at this time seem to be—some of these have been discussed and I will shorten what I have to say because most of them have been—rehabilitation, No. 1. The clearing away of charred trees in selected areas and revegetation and reforestation. I applaud Hodel's initial reaction when he was out here.

No. 2. An advertising campaign that has been discussed thoroughly here, and I will not go into that.

No. 3. Supplemental feeding of the animals. There are pros and cons of this. I suppose this is probably going to be the most debated issue, but let us not wait until it is too late if it becomes necessary. We realize that there was a drought, but we have got to remember that the North Fork fire was man-caused. It hardly seems fair to take away through man's mistakes feed that is naturally already in short supply.

No. 4. And I would like to emphasize this—this is a new concern of West Yellowstone, specifically relating to West Yellowstone, fuel modification on the east side of town. We feel strongly that we should not wait for a fire to remove the LP–4 fuels that are almost

½ mile by 3 miles, bordering our town. No one will ever feel comfortable as long as the energy equivalent to an H-bomb lies waiting to be touched off by lightening of whatever cause, at our doorsteps. The Government can either spend $1 million to remove the hazard or open it up on a controlled basis to woodcutters at a nominal cost. Timing and controlled areas could be administered.

In conclusion, may I suggest that all these issues I have mentioned and possibly even others be dealt with with a task force made up of not only park personnel, but other resources such as colleges, forest, fish and game, and local community members. We believe that it is very important to let the communities be heard and have some input into these most important decisionmaking processes. Let us not be accused of ivory tower decisionmaking.

Then a letter from our Chamber President:

> Thank you for taking the time today to hear comments from the communities whose lives are so closely connected with Yellowstone National Park. We want to take this opportunity also to publicly thank the thousands of men and women who devoted so much time and effort to battling the fires in Yellowstone. Their contribution is deeply appreciated by everyone.
>
> The Chamber of Commerce of West Yellowstone has a number of concerns regarding the impact of the fires. The future may well bring forth new ones. Immediately, however, we see two of primary importance.
>
> First, our economic survival depends on the visitors to the Yellowstone area. The image of a destroyed and devastated Yellowstone created by the publicity the fires have received now must be corrected. Considering the worldwide impact television has had, this will be no small task. A multiyear aggressive advertising program must be implemented immediately. Significant Federal appropriations and leading direction from the National Park Service combined with the States of Montana and Wyoming can accomplish this goal.
>
> Our second concern regards the loss of State lodging facilities use taxes. The lack of general tourist traffic combined with Federal exemption, may leave us unable to qualify for these funds which may reduce the amount of money we have available—that has been available for local promotion and advertising. This is not an easy issue to explain. Rather than going through it in this hearing, I have prepared a statement which will be of assistance in understanding our concern.
>
> Again, thank you for your time and attention.
>
> Sincerely, Ken Takata, president.

[Material follows:]

## LODGING FACILITY USE TAX

## WEST YELLOWSTONE CONTRIBUTION
## FISCAL YEAR JULY 1, 1987 THROUGH JUNE 30, 1988

| | |
|---|---|
| 1st quarter collections:<br>July 1 through September 30: | $110,686.00 |
| 2nd quarter collections:<br>October 1 through December 31: | 17,305.00 |
| 3rd quarter collections:<br>January 1 through March 31: | 37,203.00 |
| TOTAL COLLECTED FOR FISCAL YEAR: | $165,194.00 |

Note: 4th quarter earnings are applied to the following fiscal year because collections are not made until after July 1.

West Yellowstone generated the majority of its tax revenue in the first quarter.

Of the total generated:

5.5% goes to various state agencies including Department of Revenue.

75% of the balance goes to the Travel Promotion Unit of the Department of Commerce.

25% of the balance goes to our advertising region, unless West Yellowstone generates more than $140,000.00 in total revenue. If so, then:
12.5% of the balance goes to our advertising region
12.5% of the balance goes to WEST YELLOWSTONE

In any year West Yellowstone fails to generate a minimum of $140,000.00 in Lodging Facility Use Tax, it is not eligible to receive any money back for advertising/promotion.

In fiscal year 1987/88 West Yellowstone was qualified to receive $19,513.54 for advertising/promotion.

In this fiscal year, because the impact is being felt in our most lucrative quarter, West Yellowstone's prospects for these advertising/promotion dollars may, at worst be a loss of $17,500.00 and at best be a loss of about $5,000.00.

The State of Montana also stands to lose revenue since it receives 75% of anything at West Yellowstone generates via this tax.

Mr. **Seely**. Thank you.

Senator **Baucus**. Thank you, Clyde. Our next witness is Carlo Cieri. Carlo, why do you not proceed.

## STATEMENT OF CARLO CIERI, COUNTY COMMISSIONER, PARK COUNTY, MT

Mr. **Cieri**. Thank you, Senator, for allowing me to testify here. My name is Carlo Cieri, I am a County Commissioner for Park County, MT Park County, MT does have the gateway communities of Gardiner, Cooke City, and Silver Gate, which we feel were really economically impacted by the fires. Plus we do have the trickle-down charges to Livingston and other surrounding communities.

A local bank in the last few days, and myself, we conducted a survey by calling—we called approximately 25 to 30 of the businesses that were in these communities to see how they were affected by the fire. We called restaurants, motels, drugstores, clothing stores, sporting goods, gas stations, gift shops, grocery stores, a general cross section. And we called them in Cooke City, Silver Gate, and Gardiner and talked to a lot of them in Livingston too.

The figures that came out of that, we found that there was about 18.5 percent who experienced no change, there was 18.5 percent who had a moderate change and there was a severe change for 63 percent. The severe was based on where they had a drop of business of approximately 30 percent.

Up until these fires came along in late July, most businesses were having a banner year. The State of Montana, I think, was doing a wonderful job on promoting the State and we had a banner year as far as tourists coming in. But as soon as the fires started, the business started dropping off. We had some of these businesses that had to close their doors earlier because of cancellations, smoke. We had businesses in Cooke, Silver Gate, and Gardiner that actually had a better return, but they were what you call fire-related businesses. I think that is not a fair way to judge anything because just because you own a gift shop or a clothing store or a trinket shop or a small hamburger shop, which was something that was not fire related, you did not get any business.

We had two types of restaurants, we had where the fire people were eating—you know, the Government was probably guilty of this, they gave them a charge slip, they could go charge up to $14 for a meal or $7 for breakfast or something. Well the places that were serving lobster and steak were getting all the business and the hamburger shops and pizza shops were getting nothing. Consequently these people had to close their doors.

In Cooke City and Silver Gate, which I was pretty familiar with because I was there during the time of the crisis, we had to invoke a local disaster declaration. We had to do that to get the people to evacuate. We went in through there and asked them to evacuate because we felt there was imminent danger to their property or their lives. Our first primary thing is to save lives and then property second. Now in order to do this, we had to tax our local governments to the maximum. We had to call in all our officers, our Sheriff's Department in there, we had to get extra help from the Highway Patrol and some Forestry personnel. Everybody cooperated, but those charges and those bills were not picked up. So the economic impact is going to be on local government too.

I think Gallatin County had the same problem. They implemented a closure order on their forests, but in order to do that they had to put patrols out to make sure people were not going in there. But there was no provision to come up with extra money to pay for patrolling.

You look down the road now, someone else—the rest of the counties—speaking of Park County, is going to suffer from this because the monies that are being spent and will be spent just for law enforcement alone in the Cooke City-Silver Gate area, there are going to be cutbacks further down the road.

I am not—I think it is a long-term thing here. I mean next year, I foresee kind of a banner year because everybody wants to see the park. But the poor guy right now that did not have a Forest Service related business, he has got his payments to make yet. What is he going to do? He has probably been in business for 10, 15, 20 years and every year he has a good summer, he puts aside so many dollars to pay off his loan. Well this year, he could not do that because his type of business was not what the firefighters wanted or what the Forest Service needed, so we told him to get out, we forced him to close his doors so he had no chance to make any money. The only people we allowed to stay there were people that were running motels or operating the service stations because the fire trucks had to be fueled and the firefighters had to have a place to stay.

These are the type of people that I think should have immediate relief so they can—we gave them one trauma already by telling them to get out because there was a chance of losing their business through fire. Now we have got them down, I do not think we should say OK, you can come back now but you are going to lose your place anyway because you cannot make your payments. I think on an individual basis, these people should be talked to and see if there is some help maybe by issuing a moratorium that they do not have to make a payment for a year until things get squared away, and look and see how much money they have lost and maybe give them an outright grant. These are the people that are our tax base, they are the ones that make these communities.

By invoking this emergency disaster thing, the counties have the right to invoke a two mill tax levy. Well to me, I think that is asinine to go in there, you have got a guy down, now you are going to tell him OK, in order to pay for all this, we are going to tax you. You cannot make your payment already on your buildings and your business, but we are going to tax you some more now to pay for this disaster. I think this is where the Government should be able to step in and help.

Like the Governor says, it is probably not a national disaster, I think it is a local type disaster.

The tax base in the future, I think we are going to have a little economic problem here. I think we found there were 454 structures in that area between Cooke City and Silver Gate, about a 5 to 6 mile strip there, about 1 mile wide. And I have to take my hat off to the firefighters and all the people involved there, they did a tremendous job. Out of those 454 structures, I think they lost five, and they were kind of remote, out of the way, they just could not get to them or it got so hot that rather than endanger the firefighters' lives, they pulled the trucks out. But still, here we have got—that fire went through there and we have got cabins people have had for years and years, they went up there to enjoy the scenery and stuff. They go up there now and they can look around and see a burned forest all around them. That beautiful cabin maybe is still standing there, but there are burned trees right up to their doorstep.

Now no doubt these people will apply, and I think they should receive a reduction in the value of their property, which consequently will mean our tax base is going to drop. So down the years, who is going to end up paying for this?

I really think that the trickle-down effect has not even begun to show yet. We have got businesses in Livingston who have shown us their records that they have lost approximately $150,000 through a 30-day period there in the motel business. Now that business that lost $150,000—that is not profit but that $150,000 was spread out over the community. Somewhere along the line, somebody did not buy some more gas or some more groceries or somebody maybe did not purchase a snowmobile or something, but the trickle-down effect is going to go on for years.

I agree with you, I think if there is anything in your power that you can help us out with economic help to these communities——

Senator BAUCUS. Thank you very much, Carlo. Next is Don Converse. Don.

### STATEMENT OF DON CONVERSE, RANCHER, AUGUSTA, MT

Mr. CONVERSE. Senator, somewhere you have a report.

Senator BAUCUS. OK.

Mr. CONVERSE. The other day you asked for specifics. I will just make a short statement and if you could just look at it a little bit, we can go down the thing or you can ask any questions or whatever.

If we had a regular fire or even a wilderness fire, the residents of Augusta would have no argument at all. But we were told by the Forest Service that when the fire from Canyon Creek or section 11, as we know it, was to hit Forest Service property, they would actively fight that fire, and they did not. That is our only argument and basically——

Senator BAUCUS. You mean Scapegoat?

Mr. CONVERSE. You betcha, sir.

If they had fought it, we would not be maybe arguing quite as loud as we are, but it was not fought. It was not fought on three different occasions when it jumped different boundaries. It was not fought even when it got on private property, maybe not on account of Forest Service fault because at one point we had to wait 24 hours for equipment to get there so the firefighters could start fighting the fire.

We are only asking for replacement, we are not asking for any bucks, really to make a dollar on this thing. And this report that is here, these estimates are accurate. If nothing else, they are really lower than accurate.

Senator **Baucus**. Why do you not just hit the highlights, Don, so we have a sense of what we are dealing with here.

Mr. **Converse**. Totally, we are talking between $7 and $11 million. What we are asking for is over a 2-year period. If any money was left over on any part of this Canyon Creek thing on the Augusta side, we would say that maybe possibly the money could go back in general fund or anything, you know, so that if you have the dollars, you do not feel that you absolutely have to spend them, should you get them.

Senator **Baucus**. OK, first we have summer cabins and houses, that is $312,000, right?

Mr. **Converse**. Yes, sir.

Senator **Baucus**. Then you have miscellaneous structures such as corrals, barns, and so forth, that is 250 roughly.

Mr. **Converse**. Yes, sir.

Senator **Baucus**. Then you have fence material/stockpile, that is 10. Actual hay burned, you have almost 2,000 tons.

Mr. **Converse**. Yes, sir.

Senator **Baucus**. And that is valued—present value is about $100 a ton, is that right?

Mr. **Converse**. Yes, sir. Now I might interject, this is coming up since then, in replacing the lost pasture, our total loss right now comes to 7,076 tons. If you want to get a little more critical, that is over 200,000 bales of hay.

Fence burned up, 182 miles. The Forest Service gave us $200,000 for 40 miles, which we have—everybody got 70 percent of their boundary fences. Mine came out to 2.1 miles. We did not know what else to do with that.

Senator **Baucus**. That is about accurate because I asked the Forest Service how much of that 40 miles they are giving would make up for all the fence that was burned, and he said about 20-25 percent, so your estimate here is about right.

Mr. **Converse**. Yes, sir. Under number 8, you have 131 cows lost. Make that 133, I shot 3 yesterday, sir. That is the honest truth.

We do not know how to estimate calf losses. We have calves with pneumonia and that.

Going down, the actual big bucks thing, three million board feet one rancher. He logged it himself, it was his family legacy, that is all they had. They had only 120 head of cows and every year he was logging a small amount of timber. The loss is over $400,000.

Commercial timber—I might interject that the noncommercial timber, we are guessing on that, sir. The only way that we have is maybe measure by cubic feet for posts and poles. We have no actual estimate on that at all. We guessed.

Reseeding, the one nice thing is, the critical watershed reseeding is going to be started as of next week. One of the more nagging questions is, sir, you asked about reforestation. We cannot get an answer. Yesterday there was Government agencies all over the place, every one of them was concerned with the reseeding of grass, but when we talked about any reseeding of forest at all, no one can answer us; not Forest Service, not SCS, ASCS—no one, sir. Do not know.

Senator **Baucus**. These estimates here are for the Augusta area?

Mr. **Converse**. Only the Augusta area.

We would like, if there was a grant program such as you suggested—we applaud that very highly.

The first page that we have here is very, very, very critical, as far as people being in business or being there next year. That is just the way it is. We cannot go FHA because all the banks have said oh, no, we will loan you money, so you are talking 12.25 percent interest versus the other 4 percent.

[Material follows:]

Enclosed is a rough estimate of damages caused to the ranchers and local landowners near Augusta, Montana due to the Canyon Creek Fire.

These estimates hopefully will be better in the next day or two, but are used to show what the damage cost is as of now. Some of the actual dmamges such as timber loss will take some time to figure out.

| | |
|---|---|
| 1.summer cabins and houses | 312,500.00 |
| 2.misc. structures<br>corrals, barns, other structures | 250,000.00 |
| 3.fence material/ stockpiles | 10,000.00 |
| 4.equipment<br>vehicles, sawmill, tools, machines wagons, etc. | 40,000.00 |
| 5.actual hay burned 1961 tons at $100 per ton | 196,100.00 |
| 6.hay to replace fall, winter and spring grazing due to burned up land<br>6115 tons<br>minus 1000 tons delivered or to be delivered by the Forest Service<br>5115 tons needed yet to replace actual pasture land burned up | 511500.00 |
| 7. fence<br>182 miles burned up. Forest service will replace 40 miles of fence at $5000.00 per mile (ranchers may be able to replace the fence for alot less than $5000.00 per mile, however I have listed cost per fence at $4000.00 per mile for remaining miles of fence)<br>142 miles of fence remaining at $4000.00 per mile | 568,000.00 |
| 8. cattle lost | |
| 13 yearling heifers at $1100.00 per head | 14,300.00 |
| 131 cows lost at $800.00 per head | 104,800.00 |
| 121 calves lost at $500.00 per head | 60500.00 |
| 9. wt loss of calves due to stress and shipping early | 33,000.00 |
| 10. leased pasture burned | 3,000.00 |
| 11. timber lost to ranch that was timbering on regular basis, 3million board feet at $165 per board feet minus salvage value at $20 per thousand | 435,000.00 |
| subtotal | 2,538700.00 |

12. timber on small ranches where timber being contracted to cut. 2.3 million board feet at $35 per Thousand with $15 per thousand board feet salvage value. 46,000.00

13. timber on one large ranch and two smaller ones where exact amount burned up is still undetermined along with salvage value unknown at this time but will estimate. 86 million baord feet lost at $35 per thousand board feet with $15 salvage value. 1,720000.00

NOTE: this timber loss is very hard to figure as of now. There may not be any salvage value which would increase the value of the timber by [illegible]1.3 million dollars more.

14. loss of value of cabin sites. Timber was burned and view of mountains now changed to such a degree that cabin sites may never be sold. 50,000.00

15. Next summer's cost if problems with grass coming back and Forest Service not letting cattle back into the mountains as well as planting forest back on some private lands.

| | |
|---|---|
| reseeding 6000 acres at $25 per acre | $150,000 |
| reforesting 600 acres of land (that sum just came out of a hat) | 50,000.00 |
| hay for summer months if not let in forest permits or summer grazing halted due to grass not coming back in some areas until fall. 1960 tons at $100 per ton | 196,000.00 |
| | 396,000.00 |

Total 4,750700.00

note:

1. these costs are only estimates and if there is no salvage value of forest or other costs are found then costs could total over $6 million dollars.

recommendation:

a. put 6 million dollars into a fund and pay first the costs on page one, After those costs are paid, then pay timber costs on this page. Hold about $400,000 in a special fund to pay for future costs as noted in number 15 above, as well as any other cost missed.

b. Expediate the process of paying costs by sending the person or persons who can allow the costs to spend a week on Augusta and go over claims. Before that person or persons come, there should be clear statement on part of claims adjusters as to what documentattion is needed for a claim to be accepted.

c. As for hay purchase, if a rancher can show that he can purchase other supplment such as cake for the same cost then allow him to do so. The adjuster may just want to pay the rancher the amount of the claim and allow the rancher to decide how best to buy the hay or a combination of hay and other food sources such as cake.

d. As for ranchers, the most important costs are the hay costs and to allow that costs to be expedated as soon as possible. It is very hard to get hay and other food sources delivered to these ranchers after Nov. 1st due to normal winter conditions. It will likely be not until Feb. of next year before one can get hay back to those ranches.

e. There are cost sharing programs with other agencies for hay and fencing and other costs. The claimant may be required to find these programs and then the fund may only pay the cost that the claimant would have been required to purchase or pay for. However, there is still the time problem that must be kept in mind in trying to get the hay or food sources delivered before Nov. 1st.

f. The timber can be paid for after after the value is better determined.

Keep in mind that these are only estimates given here, but they can be looked at as being in the ball park of the costs of the claims.

Senator BAUCUS. Thanks, Don. Next, Terry Povah. Terry.

## STATEMENT OF TERRY POVAH, PRESIDENT, HAMILTON STORES, INC., WEST YELLOWSTONE, MT

Mr. POVAH. It is a pleasure, Senator, to be invited here this morning to testify.

Senator BAUCUS. Would you pull that up close to you, Terry.

Mr. POVAH. It is a pleasure to be invited to testify this morning.

My name is Terry Povah, representing Hamilton Stores, Inc. in Yellowstone National Park; Smith & Chandler, a retail store in West Yellowstone; and the Stage Coach Inn. I have also been asked to incorporate in my testimony some comments from Steve Tedder, president and general manager for TW Services in Yellowstone Park.

Hamilton Stores is the oldest concessioner under the jurisdiction of the National Park Service, it is a third generation, family-owned business. We have been privileged to have the opportunity of serving the visitors since 1915. During that time, Hamilton Stores has experienced a variety of traumatic events. Most recently, but not limited to, the earthquake in August 1959, the Teton Flood disaster in 1976, the oil embargoes in the winter of 1978 and summer of 1979, and this year probably the most devastating and certainly financially, have been the fires of Yellowstone.

As one of the primary concessioners in Yellowstone, Hamilton Stores operates 15 retail stores in the park, has its main office and distribution center just inside the park boundary in West Yellowstone, and employs approximately 850 people, including 100 near or in West Yellowstone. Hamilton Stores also owns half the Yellowstone Park service stations, another 100 employees that it operates jointly with TW Recreational Services.

Of 15 store locations within the park, seven were forced to close early this year as a result of the fires. We experienced 20 complete evacuations and some as many as 10 times. These evacuations involved 560 of our employees, most of whom were dislocated under the most trying of circumstances. The balance of the employees, 170, are either still working at our few remaining open stores or have left for the season. TW Services employs approximately 2200 employees and they have had to either evacuate or release 1,000 of their employees.

Our first evacuation took place July 23. Not only did we have all the foregoing problems to deal with, but we also had 25 road closures between the different developed areas on the Grand Loop as well as several entrances, mostly the park entrance being closed. On September 8, the park was completely closed with the exception of West Yellowstone to Madison, 14 miles, and Gardiner to Mammoth, 6 miles and on September 10 it closed those remaining roads for 2 more days.

The lost revenue. As a direct result of the fires and the ensuing media coverage, Hamilton Stores experienced a $3.5 million loss in sales. TW Services is down approximately 20 percent in sales. As a result of those early closures and evacuations, our company had a total of 178 days of business lost, 96 due to early closures and 82 due to evacuations. Added to the cost of evacuating our 560 employees and we had associated salary costs of over $60,000, $7,000 in addition to that was to relocate trailer people in temporary trailer hookups. We cannot put a dollar amount to the cost of such problems as losing almost 50 percent of our employees who just packed up and went home because of fear of fire, smoke, stress, health related problems, and other inconveniences. I might point out that these statistics are staggering when one considers that 90 percent of the business in Yellowstone is conducted in 80 days. Also, until mid-July, Hamilton Stores, along with other concessioners and seasonal businesses surrounding Yellowstone merely pay startup expenses, and it is from the period of mid-July to the end of August that enables us to make any profit for the year. Later on in the fall, any profits that come in is just a little extra padding. We have even been denied that this year because of the fires in Yellowstone and basically it is shut down.

Another major concern is that during these fires, several miles of power lines were destroyed, and consequently, to maintain power throughout Yellowstone, portable generators had to be put into use. The expense incurred by Montana Power for replacing transmission lines, distribution lines, overtime hours for their employees will cost Montana Power approximately $1 million to $1,200,000. We do not feel that that cost should be absorbed by Montana Power and it would not be fair to expect the concessioner to absorb this cost or have it passed on to the users of Montana Power throughout the state.

Without getting into detail of the policy of the National Park Service and the National Forest Service with regard to firefighting tactics and suppression, I would like to make a few comments about the experiences we have had with those two agencies.

When the fires first started, we concessioners were notified that there were in fact fires and that they had the potential to consume large amounts of acreage. The ones of immediate concern were the Red fire and the Shoshone fire as they had the potential of reaching Grant Village. In a coordinated effort by the local National Park Service staff, we were kept well informed. However, as the fires progressed, the problem went from just acreage concerns to the possibility of evacuating the entire Grant Village due to tremendous fire growth rate.

As the fires increased, communications deteriorated. By this time the Clover Mist fire was huge, the Fan fire was growing, and the North Fork was not only a concern in the Old Faithful area, but Madison Junction as well. During the time, the Park Service was very cooperative in providing support to our employees with orientations, special meetings, briefings, and we supported most of their activities. It was not until the North Fork fires was nearly reaching the Fishing Bridge area that we really questioned how concerned the Park Service was for some of the structures in Yellowstone. We heard that the only priority in the Fishing Bridge area were the Fishing Bridge Store and the Museum, no other buildings were a priority. This concerned us greatly as we have a joint interest in the Yellowstone Park service station at Fishing Bridge, the service station dormitory as well as our own dormitory, TW Recreational Services trailer park and other support facilities including the repair service garage in that area. The term "selective burn" could be used in this incident and we do not know if the directive came from the Area Commander, but we totally disagree if that policy was true.

We experienced similar attitudes during the fire storm that swept through Old Faithful and Mammoth destroying 12 TWRS rental cabins, which represented 24 rental units, and six employee cabins. We also lost the repair service building that had a fire truck and several other vehicles in it, in the Old Faithful fire. The economic impact to Yellowstone has been devastating to all concerned. The economic concerns by the Park Service have been, from the Washington level down, evidently of no concern at all. There was a regional employee that said, "that's part of the risk of doing business in a National Park."

We feel that the National Park Service has a financial obligation to provide some positive media promotions to let the world know that Yellowstone, as our first national park, and certainly one of our most popular parks, as well as an international tourism destination, is alive and well. That we still have a host of animals, thousands of thermal features, waterfalls, lakes, rivers and support services to take care of the traveling visitor.

This promotion needs to be addressed immediately and continued for at least the next several years, but not limited to just next spring or next summer. We do not feel it would be unreasonable for the Department of the Interior and the National Park Service, the National Forest Service and the Department of Agriculture and other agencies to work in harmony with such organizations as TIA, Travel Industry Association of America, the Old West Trail Foundation, Yellowstone-Teton Travel Association, the state travel commissions from Montana, Wyoming, Idaho, the Dakotas, Utah and Colorado as well as chambers of commerce within a 300 mile radius of Yellowstone Park.

Also, on an international basis, through the United States Tour and Travel Association. This media coverage should be promoted through specials on television, continually running videos in key markets promoting the tourism aspect, newspaper and magazine articles, videos and any other educational format such as mailings and brochures that could be available to these organizations as well as the national media.

This is a fine opportunity for the National Park Service to tell their terminology of, "a new beginning for Yellowstone" and explain how the fires got out of control, the different types of fuel build-up, what the forest and the effects of the pine beetle have had over the last 30 years, the mild winters, the light rains that we have had for the last several summers and more specifically the drought and winds of 1988.

Whether the Park Service is at fault, or the Forest Service or the policy needs to be reviewed are all issues that can be decided for years to come. Now is the time we need to promote Yellowstone. This is the time tourism industry people are selling tours for next year and booking reservations. People will soon be planning vacations and they will not forget what happened in Yellowstone, and we need action now.

There have been comments that next year's business might be normal because of curiosity seekers. But we cannot afford to gamble on this thinking. It is my concern that the following years will be more of a financial risk than the summer of 1989. We need to work together, and leave egos on the sidelines, and create a team effort for the region, both now and in the future.

[The prepared statement of Mr. Povah follows:]

SEPTEMBER 24, 1988

## STATEMENT OF TERRY POVAH, PRESIDENT OF HAMILTON STORES, INC., STAGE COACH INN, SMITH & CHANDLER, BEFORE THE SUBCOMMITTEE ON RURAL ECONOMY AND FAMILY FARMING, SENATE COMMITTEE ON SMALL BUSINESS AT BOZEMAN, MONTANA CONCERNING THE ONGOING FIRES IN THE GREATER YELLOWSTONE AREA OF MONTANA, WYOMING AND IDAHO.

DATE: September 24, 1988

It is a pleasure to be invited by Senator Max Baucus to testify this morning with regard to the Yellowstone fires and the economic impact they have cast during the 1988 season.

Thank you Senator Baucus.

My name is Terry Povah, representing Hamilton Stores Inc. in Yellowstone National Park; Smith & Chandler, a retail store in West Yellowstone; and the Stage Coach Inn, also in West Yellowstone. I have been asked to incorporate in my testimony some comments from Steve Tedder, President/General Manager for TW Recreational Services in Yellowstone Park.

Hamilton Stores Inc. is the oldest concessioner under the jurisdiction of the National Park Service, being a family owned third generation business. We are privileged to have had the opportunity of serving the visitors to Yellowstone since 1915. During that time Hamilton Stores has experienced a variety of traumatic events. Most recently those have been, but not limited to, the earthquake in August of 1959, the Teton Flood disaster during the summer of 1976, the oil embargoes during the winter of 1978 and summer of 1979 and this year, probably the most devastating of all, certainly financially, have been the FIRES OF YELLOWSTONE.

As one of the primary concessioners in Yellowstone, Hamilton Stores Inc. operates 15 stores in the Park, has its main office and distribution center just inside the boundary at West Yellowstone and during the summer employs approximately 850 including about 100 in or near West Yellowstone. Hamilton Stores Inc. also owns one-half of Yellowstone Park Service Stations (100 employees) and operates it jointly with TW Recreational Services.

Of our 15 store locations within the Park, 7 were forced to close early this year as a result of the fires. We experienced 20 complete evacuations with some stores being evacuated as many as 7 times. These evacuations involved 560 of our employees most of whom were dislocated under the most trying of circumstances. The balance of the employees, 170, are either still working at the few remaining stores we have open or were released early when their stores closed for the summer. Of the 2,200 TW Recreational Services employees 1000 were either evacuated &/or released early.

Our first evacuation took place on July 23. Not only did we have all the foregoing problems to deal with but we also had 25 road closures and those road closures were between the different developed areas on the Grand Loop road as well as several of the entrances to the Park, mostly the South entrance. On September 8 the Park was completely closed with the exception of West Yellowstone to Madison Junction (14 miles), Mammoth to Gardiner (6 miles) and on September 10 even these few remaining roads were closed for 2 days.

LOSS OF REVENUE:

As a direct result of the Yellowstone fires and ensuing media coverage Hamilton Stores Inc. has experienced **3.5 million dollars in lost sales**. As a result of the early closures and evacuations, our company lost a total of 178 days of business, 96 days from early closures and 82 days from evacuation. Added to this is the cost of evacuating 560 employees with an associated salary cost of nearly $60,000, plus over $7,000 to relocate some of our trailer people in temporary trailer hookups. We can put no dollar amount to other costs such as the problem of losing almost 50% of our employees who just packed up and went home because of fear of fire, smoke, stress, health problems and other inconveniences. I might point out that these statistics are staggering when one considers that Yellowstone conducts 90% of its business in 80 days. Also, until mid-July Hamilton Stores Inc. along with other concessioners and seasonal business' surrounding Yellowstone merely pay start-up expenses and it is the period from mid-July to the end of August that enables any of us to make any profit during the year. Later we count on the fall for a little "padding" to our profits, but even that has been denied us this year as the fires continue to burn and park visitor services, for all practical purposes, shut down for the season.

Another major concern is that during these fires several miles of power lines were destroyed, and consequently, to maintain power throughout Yellowstone portable generators had to be put into use. The expense incurred by Montana Power Co. for replacing transmission lines, employee overtime hours, generator rental, etc. should not be passed through to the concessioner. It is our understanding that these costs will be between a million and a million two hundred thousand dollars. Montana Power Co. should not have to absorb this loss and it would not be fair to expect the concessioner to absorb this cost or to pass it on to the visitor.

Without getting into the policy or politics of the National Park Service or National Forest Service with regard to fire fighting tactics and suppression I would like to make a few comments about our experiences with the NPS and NFS.

When the fires first started, we concessioners were notified that there were in fact fires in Yellowstone that had the potential to consume a lot of acreage. The ones of immediate concern were the Red and Shoshone fires as they had potential of reaching the Grant Village area. In a coordinated effort by the local National Park Service staff we were kept well informed however, as the fires progressed the problem went from just acreage concerns to the possibility of the entire Grant Village area being evacuated due to the tremendous fire growth rate. As the fires increased the communications deteriorated. By this time the Clover-Mist fire was huge, the Fan was growing and the North Fork fire was not only a concern in the Old Faithful area but Madison Junction as well. During this time the Park Service was very cooperative in providing support to our employees with orientation, special meetings, briefings, etc. and we supported most of their activities at that stage of the fire. It was not until the threat of the North Fork fire reaching the Fishing Bridge area that we really questioned how concerned the Park Service was for some of the structures in Yellowstone. We heard that the only priority in that area was the Fishing Bridge store and the Museum, that no other buildings were a priority. This concerned us greatly as we have joint interest in a service station and a service station dormitory in this area as well as our own dormitory. TWRS has a RV trailer park, as well as there being a repair service garage and other support buildings in the area. The term **SELECTIVE BURN** could be used in this incident and we don't know where the directive came from for the Area Commander, but we totally disagree with that policy, if true.

We experienced similar attitudes during the fire storm that swept through Old Faithful and Mammoth, destroying 12 TWRS rental cabins (24 units) at Old Faithful and 6 employee cabins, and the Yellowstone Park Service Station repair service building and vehicles. The economic impact to Yellowstone has been devastating to all concerned. The economic impact concerns by the NPS have been, from the Washington level down, evidently of no concern as it was mentioned by a regional employee of the National Park Service that "that's part of the risk of doing business in a National Park".

We feel that the NPS has a financial obligation to provide some positive media promotions to let the **WORLD** know that Yellowstone, as our first national park, and certainly one of our most popular parks, as well as an international tourism destination, is alive and well. That we still have a host of animals, thousands of thermal features, waterfalls, lakes and rivers and all the support services to take care of the traveling visitor.

This promotion needs to be addressed immediately and then continued for at least the next two years and should not be limited to just next spring or summer. We do not feel it would be unreasonable for the Department of the Interior, the National Park Service, National Forest Service , Department of Agriculture and other agencies to work in harmony with such organizations as Travel Industry Association of America, Old West Trail Foundation, Yellowstone-Teton Travel Association , State travel commissions from Montana, Wyoming, Idaho, the Dakotas, Utah and Colorado as well as the Chambers of Commerce in a 300 mile radius of Yellowstone Park. Also, on an international basis through the United States Tour and Travel Association. This media coverage should be promoted through specials on TV, continually running videos in key markets promoting the tourism aspect, newspaper and magazine articles, videos and any other educational format, such as mailings, brochures, etc., that can be made available to these organizations as well as the national media.

This is a fine opportunity for the NPS to sell their terminology of a " new beginning for Yellowstone" and to explain how the fires got out of control, the different types of fuel build-up that is in the forest, the effects of the pine beetle, mild winters, light summer rains and more specifically the drought and high winds of 1988.

Whether the Park Service is at fault or the Forest Service or the policy needs to be reviewed are all issues that can be decided for years to come. Now is the time we need to promote Yellowstone. This is the time tourism industry people are selling tours for next year and booking reservations. People will soon be planning vacations and they will not forget what has happened in Yellowstone. We need action now.

There have been comments that next year business might be normal because of curiosity seekers. We cannot gamble with this thinking. It is my concern that the following years will be more of a financial risk than the summer of 1989. We all need to work together and leave egos on the side lines and create a team effort for the region, both now and in the future.

## 1988 YELLOWSTONE FIRE OUTLINE SUMMARY

I. Lost Business Days
   - A. Store shutdown due to employee evacuation
   - B. Early closure due to lack of business
   - C. Understaffing due to early employee departures causing store closure

II. Lost Revenue
   - A. Frequent and intermittent road closures
     - 1. Park visitors - Commercial and private buses
   - B. Decrease in tourism - 30%
     - 1. Smoke
     - 2. Media coverage
     - 3. Perceived danger
   - C. Perishable merchandise lost
   - D. Smoke damage
   - E. Power Outages

III. Employee Expense
   - A. Standby salary $58,828.00
   - B. Trailer subsidy during evacuation $7,149.10
     Cost of moving employees to temporary locations, hotels/motels or dorms. The cost is not available at this time.
   - C. Recruiting cost for employee replacements
   - D. Anticipated loss of alumni for 1989 - 1988 brought an alumni return rate of 60%. Anticipated alumni return rate for l989 is 35%.

# 1988 YELLOWSTONE FIRE

| DATE | INCIDENT | EVACUATED |
|---|---|---|
| JULY 22- | South Entrance closed p.m. | |
| JULY 23- | ***Grant Village General*** and ***Grant Mini evacuated*** (a.m.) | 107 |
| JULY 24- | ***West Thumb evacuated***. Craig Pass closed. | 013 |
| JULY 25- | ***West Thumb reopened.*** | |
| JULY 26- | ***West Thumb evacuated.*** | 009 |
| JULY 27- | Craig Pass reopened. ***West Thumb reopened.*** | |
| JULY 30- | ***West Thumb evacuated.*** | 008 |
| JULY 31- | ***West Thumb reopened*** in p.m. Hours 9 a.m. - 6 p.m. | |
| AUGUST 1- | ***West Thumb evacuated.*** | 008 |
| AUGUST 2- | ***West Thumb reopened.*** | |
| AUGUST 3 - | ***Grant Mini reopened*** in p.m. | |
| AUGUST 6 - | ***Grant Village General reopened*** | |
| AUGUST 11- | Madison to Old Faithful closed in p.m. Craig Pass open all night | |
| AUGUST 12- | Madison to Old Faithful opened 6 a.m. Grant campground reopened 4 loops. | |
| AUGUST 15- | Madison to Old Faithful closed at noon. Madison campground evacuated. West Yellowstone to Norris closed 3 p.m. | |

| | | |
|---|---|---|
| AUGUST 16- | West Yellowstone to Old Faithful closed a.m. to noon. Norris to Madison closed all day. | |
| AUGUST 17- | Madison to Norris open a.m.; closed 1:00 p.m. for balance of day. Madison to Old Faithful closed 2 p.m. to 7:30 p.m. | |
| AUGUST 18- | Madison to Norris closed. West Gate closed 1 p.m. - 4 p.m. South Gate closed 7:00 p.m. | |
| AUGUST 20- | Madison to Norris closed 12:15 p.m. | |
| AUGUST 21- | ***Grant Village General***, ***Grant Mini*** and ***West Thumb evacuated*** second time.<br>***Grant General closed for season.*** | 070 |
| AUGUST 22- | ***Grant Mini reopened*** in a.m. | |
| AUGUST 24- | ***Canyon Village evacuated*** 10:00 a.m.<br>***West Thumb reopened*** in a.m. | 111 |
| AUGUST 25- | ***Canyon General store closed.*** | |
| AUGUST 26- | Most roads closed. West Yellowstone to Old Faithful reopened 10:00 a.m.<br>***West Thumb evacuated*** third time | 010 |
| AUGUST 27- | West Gate open to Old Faithful. East Gate open to Lake. | |
| AUGUST 28- | ***Canyon Photo reopened.*** | |
| AUGUST 29- | ***Roosevelt*** and ***Lake closed for season*** . Dunraven, West Yellowstone to Old Faithful and West Yellowstone to Mammoth open.<br>***West Thumb reopened*** in a.m. | |

| | | |
|---|---|---|
| AUGUST 30- | Craig Pass open. Norris to Canyon and South Entrance closed. Dunraven closed late p.m. and West Gate closed 1:00 p.m. | |
| AUGUST 31- | ***Mammoth Xmas Shop closed*** for season as scheduled. | |
| SEPT 1 - | ***Bridge Bay closed for season*** at 6:00 p.m. | |
| | All roads open at 9:00 a.m. West Gate closed p.m. | |
| | ***West Yellowstone Dormitory evacuated*** p.m. | 007 |
| SEPT 2 - | All roads open a.m. | |
| SEPT 4- | ***West Yellowstone dorm reopened.*** | |
| SEPT 5 - | North Entrance closed. | |
| SEPT 6 - | Canyon to Tower closed. Cooke City/Silvergate evacuated. | |
| SEPT 7 - | ***Old Faithful Basin, B.A.C., and Photo Shop evacuated a.m.*** | 109 |
| | ***Old Faithful B.A.C. closed for season.*** | |
| | ***Tower Fall evacuated p.m.*** | 021 |
| | ***Tower Fall closed for season*** | |
| | ***Canyon Photo evacuated a.m.*** | 012 |
| SEPT 8 - | ***Old Faithful Photo reopened.*** | |
| | West Yellowstone to Madison and North Entrance to Gardiner open. Balance of Park closed. | |
| SEPT 9 - | ***Fishing Bridge trailer park evacuated.*** | 030 |
| | ***Canyon Photo reopened.*** | |
| SEPT 10- | ***Mammoth evacuated***. Park closed. | 018 |
| | ***Fishing Bridge Dormitory evacuated.*** | 021 |
| | ***West Thumb evacuated*** | 006 |

SEPT 11- ***Old Faithful Basin reopened***
***Fishing Bridge closed for season***

SEPT 12- ***West Thumb reopened. Mammoth reopened.***
Park open except Tower to Canyon and Mammoth to Tower. Craig Pass closed for season.

TOTAL EMPLOYEES EVACUATED 560

## BUSINESS DAYS LOST DUE TO EARLY CLOSURE

| Store | Date Closed | Scheduled Closing Date | Business Days Lost |
|---|---|---|---|
| Grant General | 8/21/88 | 9/19/88 | 29 |
| Canyon General | 8/25/88 | 9/5/88 | 12 |
| Lake General | 8/29/88 | 9/18/88 | 20 |
| Roosevelt Photo | 8/29/88 | 9/6/88 | 08 |
| Mammoth Xmas | 8/31/88 | 8/31/88 | 0 |
| Bridge Bay | 9/1/88 | 9/17/88 | 16 |
| Tower General | 9/7/88 | 9/13/88 | 06 |
| Old Faithful B.A.C. | 9/8/88 | 9/15/88 | 08 |
| Fishing Bridge General | 9/11/88 | 9/8/88 | (03) |
| Grant Mini | 9/27/88 | 9/27/88 | 0 |
| Canyon Photo | 10/11/88 | 10/11/88 | 0 |
| Old Faithful Basin | 10/12/88 | 10/12/88 | 0 |
| West Thumb Photo | 10/16/88 | 10/16/88 | 0 |
| Old Faithful Photo | 10/17/88 | 10/17/88 | 0 |
| Mammoth General | open all year | open all year | 0 |
| Smith & Chandler | open all year | open all year | 0 |
|  |  |  | 96 |

## 1988 YELLOWSTONE FIRES

## EMPLOYEE STANDBY EXPENSE

| Store | Dates (No. of Days) | Employee Evaucation Days | Standby Salary |
|---|---|---|---|
| Grant General | 7/23 - 8/5 (14)<br>8/21 - 8/25 (05) | 1216 | $33,282.00 |
| Grant Mini | 7/23 - 8/5 (14) | 35 | 965.00 |
| West Thumb | 7/25 - 7/30 (06)<br>8/21 - 8/23 (03)<br>8/26 - 8/28 (03)<br>9/10 - 9/11 (02) | 116 | 3,069.00 |
| Canyon General | 8/24 - 8/29 (06) | 366 | 9,659.00 |
| Canyon Photo | 8/24 - 8/27 (04)<br>9/7 - 9/8 (02) | 57 | 1,588.00 |
| Old Faithful B.A.C. | 9/7 - 9/10 (04) | 44 | 1,124.00 |
| Old Faithful Basin | 9/7 - 9/10 (04) | 161 | 4,361.00 |
| Old Faithful Photo | 9/7 - 9/8 (02) | 11 | 317.00 |
| Tower | 9/7 - 9/9 (03) | 61 | 1,567.00 |
| Mammoth General | 9/10 - 9/11 (02) | 28 | 740.00 |
| Fishing Bridge General | 9/9 - 9/14 (06) | 80 | 2,156.00 |
|  | 82 | 2175 | $58,828.00 |

Senator BAUCUS. Thank you very much, Terry. The final witness on this panel is Mr. Ed Johnson. Ed, go ahead.

### STATEMENT OF EDWIN JOHNSON, GARDINER CHAMBER OF COMMERCE

Mr. JOHNSON. Thank you. I am here to speak to you, Senator, on behalf of the Gardiner Chamber of Commerce. I am also a licensed Montana outfitter.

I would like to read you this letter that we sent to Governor Schwinden and then I have some remarks.

> Dear Governor Schwinden:
>
> We represent the Gardiner Chamber of Commerce. We are asking you, the Governor of the State of Montana, to declare Park County a disaster area.
>
> On September 7, the members of the Gardiner Chamber of Commerce met to discuss the effects of the devastation of the Yellowstone area fires. From this meeting, we as individuals and as businesspersons became aware of the need to contact your office for help.
>
> Our needs are as follows:
>
> 1. Immediate financial relief from losses to area businesses and residents.
> 2. Long-term economic relief from losses to businesses and residents.
>
> We as businesspersons feel our economic losses are presently at least 50 percent and in many cases greater.
>
> We will deeply appreciate all efforts made by you and your office on our behalf in the face of this catastrophic situation.
>
> Respectfully, Gardiner Chamber of Commerce, Disaster Relief Committee.

And it is signed by Steve Blomquist, Wade Laubach, Larry Demaree, Margaret Tuxbury and myself, Edwin Johnson.

Under the category of immediate losses, Yellowstone fires burned through the economic stability of our community much like they burned through our forests. Some businesses were devastated, most suffered a large percentage of damage to their livelihood. A few, like the airport, had their bottom lines enhanced by the park's ecological practices. The economic benefits of firefighting income were not distributed equally throughout the community.

All outfitters suffered outright losses when fire management policy resulted in the closure of Montana's hunting season. All residents lost time and money in hassling with the park fires.

Some long-term losses we need to consider are that many businesses are unable to meet annual and long-term financial commitments due to the immediate effects of these fires. Some outfitters were totally burned out, their camps no longer are of value. Prospects for summer pack trips are grim.

The greater property loss could well be occurring this spring along the Yellowstone River with flooding. Disaster plans should be made now for such an eventuality, as a million acres of Yellowstone watershed have been altered. When that snow meltoff comes in the spring, coming down the Paradise Valley through Livingston and on to Billings, depending on the weather, these fires are going to have an effect on the watershed, flooding the entire Yellowstone drainage and other drainages I am sure.

In my view, the fires are not a natural disaster, they are a man-caused disaster. If a Burlington Northern train derails because someone is asleep at the switch and it impacts a community, Burlington Northern will be held responsible. If a private landowner lets a fire on his property affect his neighbor's land, then that landowner is held accountable.

We have read much about the North Fork fire which threatened our community, being a man-caused fire. On July 21, men who wanted to put it out were prevented from entering the park to do so. For 2 days it was allowed to "free burn" while park officials called its cause "uncertain'. And I have here their map that they published where it says the North Fork fire, 200 acres in the park started July 22, and its cause is "uncertain." I agree it is a man-caused fire, and we have read much about the North Fork fire being a man-caused fire, but what we have yet to read is that the men who caused the spread of this fire currently reside in the administrative offices at Mammoth.

Those of us who had our lives and property threatened know that individuals made decisions which placed us in jeopardy. When we petitioned, begged and pleaded with these individuals to put the fires out, those individuals shuffled off our concern to meet "greater" concerns which they had.

I understand how people in Washington can be hoodwinked by Park Service propaganda, I just hope that Abe Lincoln's saying that you can't fool all the people all the time applies to U.S. Senators and Congressmen as well.

[Applause.]

Senator BAUCUS. Both ways.

Mr. JOHNSON. Yellowstone is not a wilderness, it is a park. Yellowstone should be managed "FOR THE BENEFIT AND ENJOYMENT OF THE PEOPLE." That is what the enscription says on Gardiner's gateway arch, which is the original entrance into Yellowstone Park. In your opening statement, I noticed that Gardiner was not mentioned, and that is one of our major concerns at the Gardiner Chamber of Commerce. The original entrance to the park is not even on the map on some occasions.

There is one concluding thought that I would like to add on the subject of reforestation and how we can maybe get something positive out of this whole situation. I grew up in the Rocky Mountains and we have always had a tradition in my family and families in the community that when someone new moved into the area, we had a friendship garden and neighbors would bring around a tulip or something to plant or a tree to plant in the new neighbor's yard. And it is just an idea I would like to throw out, perhaps an international friendship garden at Yellowstone National Park where we could ask people to positively impact the area, "Come to Yellowstone and plant a tree."

[Applause.]

Senator BAUCUS. Thank you very much, Ed.

[The prepared statement of Mr. Johnson follows:]

ONLY YEAR AROUND ENTRANCE TO YELLOWSTONE PARK

"TEDDY ROOSEVELT ARCH"

**Gardiner Chamber of Commerce**
P. O. Box 81
Gardiner, Montana 59030

September 9, 1988

Dear Governor Schwinden,

We represent the Gardiner Chamber of Commerce. We are asking you, the Governor of the State of Montana, to declare Park County a disaster area.

On September 7th the members of the Gardiner Chamber of Commerce met to discuss the effects of the devastation of the Yellowstone area fires. From this meeting we, as individuals and as businesspersons, became aware of the need to contact your office for help.

Our needs are as follows:

1. Immediate financial relief from losses to area businesses and residents.
2. Long term economic relief from losses to businesses and residents.

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We will deeply appreciate all efforts made by you and your office on our behalf in the face of this catastrophic situation.

Respectfully,

Gardiner Chamber of Commerce
Disaster Relief Committee

Wade Laubach

Steve Blomquist  Wade Laubach  Larry Demaree

Margaret Tuxbury  Edwin Johnson

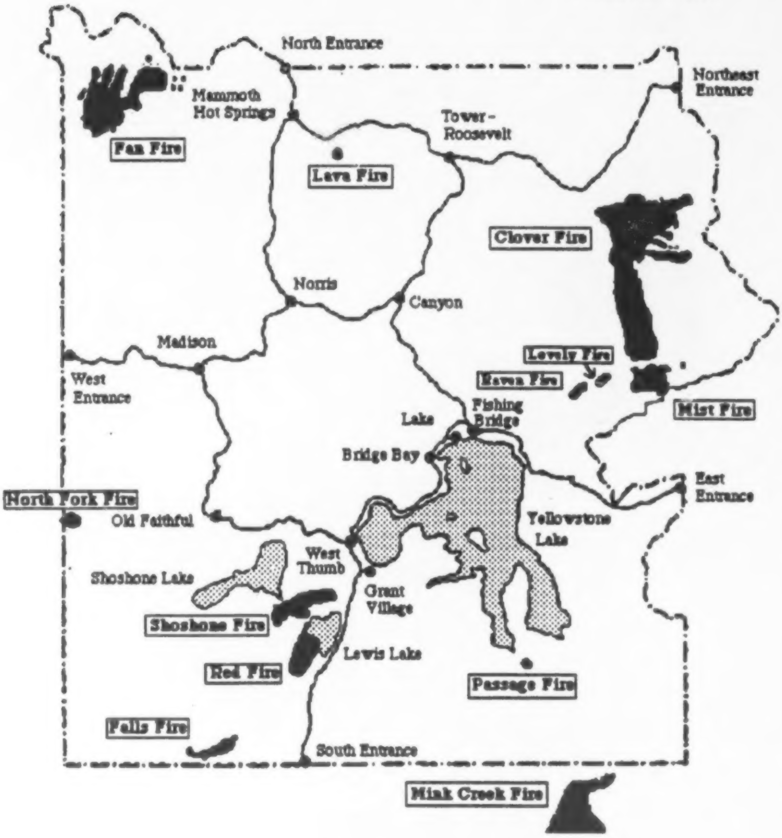
Larry Demaree

Margaret Tuxbury  Edwin Johnson

848-7322 Wade Laubach

*Drive The Valley Route through Majestic Mountain Scenery to The North Entrance of Yellowstone National Park — **FROM ANYWHERE***

**Please Post**


North Entrance
Northeast Entrance
Mammoth Hot Springs
Fan Fire
Tower-Roosevelt
Lava Fire
Clover Fire
Norris
Canyon
Madison
West Entrance
Lovely Fire
Raven Fire
Mist Fire
Lake
Fishing Bridge
Bridge Bay
East Entrance
North Fork Fire
Old Faithful
Yellowstone Lake
West Thumb
Shoshone Lake
Grant Village
Shoshone Fire
Lewis Lake
Red Fire
Passage Fire
Falls Fire
South Entrance
Mink Creek Fire

# YELLOWSTONE FIRES

**July 22, 1988, at 5:00 p.m.**

All fires started from lightning. The sizes of the fires were current as of the date and time above. Many fires are still very active and growing.

Clover Fire: 10,700 acres. Started July 11.
Falls Fire: 385 acres. Started July 12.
Fan Fire: 2,659 acres. Started June 25.
Lava Fire: less than 1 acre. Started July 5.
Lovely Fire: 25 acres. Started July 20.
Mink Creek Fire: 18,000+ acres. Started July 11.
Mist Fire: 1,527 acres. Started July 9.
North Fork Fire: 200+ acres. Started July 22. Cause uncertain.
Passage Fire: less than 1 acre. Started July 18.
Raven Fire: 50 acres. Started July 11.
Red Fire: 1,858 acres. Started July 1.
Shoshone Fire: 1,000 acres. Started June 23.

Senator BAUCUS. Mr. Cieri, you talked about losses to Park County. I know some businesses did a little better, and a lot did worse and that impacts the tax base of Park County. Are those losses you talked about net losses?

Mr. CIERI. That is right, immediately. To look in the future, if these businesses go out and cannot make their payments and they are gone, then we lose the tax base there.

Senator BAUCUS. Right.

Mr. CIERI. And the burned out area, the value of that property no doubt will be down.

Senator BAUCUS. Now, the Governor has allocated some $11-$12 million to pay for State costs. Does any of that get to the counties?

Mr. CIERI. Yes, that is for the firefighting portion of it. We have no problem with that. Actually like where these fires took place in Park County, Park County could never come up with the resources that were required to fight those fires, like Cooke City had 55 trucks and there was 23 or so——

Senator BAUCUS. So that compensated for the trucks and——

Mr. CIERI. Right, that took care of that, but it did not compensate for our law enforcement and our roads that were torn up and things like this.

Senator BAUCUS. I see. You probably gave a figure but I missed it. Do you have a rough guess as to what the financial cost was to Park County?

Mr. CIERI. Right now?

Senator BAUCUS. Yes.

Mr. CIERI. A little over $25,000 above normal pay. I do not know if you are familiar but we have what is known as 105.

Senator BAUCUS. I know what 105 is.

Mr. CIERI. You cannot come in and shuffle money around, so that means in the future somebody else is going to be paying for this if we cannot get any relief.

Senator BAUCUS. I am struck by the fact that there are some folks who did not do so badly. For example, some of the larger motel operators and the steak and lobster outfits. Some of the smaller outfits, however, just did not. Outfitters did not and fly and tackle shops did not. So the effect of the fires is very much individualized.

I would like to ask all of you now how well you think present programs are going to compensate for your losses. I say that for two reasons: 1, I would like your individual reaction; and 2, one of the later witnesses is going to be Mr. Kulik, who is the Deputy Associate Administrator for Disaster Assistance for the SBA. He's from Washington, DC. And also Mr. Dunlop, who is Assistant Secretary for Special Services for the USDA from Washington, DC. I want those gentlemen to hear what you have to say about how well you think present programs are or are not going to work so that when they come up here and talk, they can address some of your specific concerns.

Does anybody want to go first? Carlo?

Mr. CIERI. At this point I am not aware of any direct compensation that anybody is going to get. If there is some compensation coming, I do not know about it. I would hate to see this thing get thrown into court, you know, where these people have to sue the

Government for years and years and by that time it is too late. They have got their lives to live now.

Senator BAUCUS. Oh, I think it is true. The point is there are disaster programs for ordinary disasters.

Mr. CIERI. Right.

Senator BAUCUS. Those are low-interest loans generally. There are some exceptions, but they are basically low-interest loans. Will these loans help a little or not at all? I am trying to figure out what works and does not work.

Mr. CIERI. I think a lot of these people already have SBA loans and if SBA is going to come in here, they will probably renegotiate the loans, but there is some cash needed immediately to take care of the immediate things.

Senator BAUCUS. So your point is these loans just are not going to help those people who have very direct and significant economic losses.

Mr. CIERI. Yes, you take an outfitter. An outfitter does not have an SBA loan.

Senator BAUCUS. Right.

Mr. CIERI. I mean there is no such thing, he may have an agriculture loan on a different type of business, maybe on his ranch or something, and those are taken care of through the FHA.

Senator BAUCUS. How about the rest of you, have you looked into this at all? Don?

Mr. CONVERSE. In 1985, when we had the drought in 1985, SBA came in with agricultural loans, but there was a duplication. SBA had an agricultural loan and FHA had an agricultural loan and true, you know, it was disbanded. SBA did not. Having gone both ways, I obtained and have one more payment left on my 1985 SBA loan. FHA stated yesterday that that was good because the SBA did not have the high rulings, you had to be turned down by a bank—actually three banks—in order to qualify for an FHA loan under agricultural. However, before that with the SBA you did not, all you had to do was file a mountain of paperwork.

Senator BAUCUS. Does it depend upon whether disaster assistance—a disaster county is declared to get an SBA disaster loan?

Mr. CONVERSE. They discontinued all agricultural loans.

Senator BAUCUS. No, I am talking about SBA right now.

Mr. CONVERSE. Oh, no, you can get a 4 percent SBA loan as an agribusiness or businesses, and other than the paperwork it is very easy. [Laughter.]

Second mortgage—no, honest, it is. [Laughter.]

Senator BAUCUS. Some do not agree. Any other—Dennis?

Mr. CHATLAIN. With the outfitters, the outfitters have already incurred—most outfitters will take 40 to 50 percent down payment from their clientele to book a hunt. The expense has already been incurred and that down payment is gone. And a loan for a portion of it, a low-interest loan, would be of great value. But at least for a certain portion of the lost revenue, I feel that we should have some compensation or it will put businesses that are already strained in an even worse position with a huge debt that they will not be able to repay.

Senator BAUCUS. Does the Governor have Park County on his list for declaring a disaster?

Mr. JOHNSON. I am not the one to ask.

Mr. CIERI. We are No. 1.

Senator BAUCUS. Oh, you are No. 1.

Mr. CIERI. We were the first one to get in there.

Senator BAUCUS. OK. How long is it going to take to know what the losses actually are?

Mr. MAHON. Senator.

Senator BAUCUS. Yes, Jack.

Mr. MAHON. Concerning burned timber, it is a devalued consideration. The trees in most cases are not destroyed, the merchantable trees, they are devalued. And as time goes on, over the next 12 months or up until next July, we will learn how many of those trees still have some residual value. We do not know that at this point. Some of them do not have value, some of them have a residual value which is quite low. And anybody that is involved, either the logger or whoever, is impacted, the landowner, the timber purchaser, the logger. It is an extremely dangerous operation to log burned timber, timber falling, you need eyes in the back of your head, for example, because of trees that will be falling as time goes on.

So in the case of timber values, that cannot even be determined at this point.

Senator BAUCUS. What is the general rule with regard to the number of board feet available in a timber sale after a fire?

Mr. MAHON. The immediate need is for immediate logging. Trees that are logged immediately or within a short period of time, there may not be much loss in volume of the tree. But we are already seeing breaking open of burned trees, scorched trees, and so you get an actual loss in volume of the tree for usable lumber. OK, the chips have no value, which is a significant part of the value of standing timber, the paper mills in Missoula buy chips. Chips from burned timber have no value, they will not accept those. That is a part of the devaluation of the standing timber. The other devaluation goes on as time progresses and it starts immediately, that devaluation.

Senator BAUCUS. I asked the question because I heard that there is a sale of about 9 million feet in the northwestern part of the State that has been burned. The Forest Service claims there are actually 12 million feet available in the salvage operations. The operator claims it is not true, and the fellow who bought the sale claims it is not true. Obviously, there is a dispute between the Forest Service and the operator. I am just trying to find out what is going on.

Mr. MAHON. Well if the leave areas in that designated timber sale, areas were designated to be left in that sale, green sale, the whole area burned apparently what I think you are saying, so that the salvage of trees in the undesignated green areas may become available. I do not know, is that what you are saying?

Senator BAUCUS. Yes.

How far do you think we should go in actually compensating people? Go ahead, Ed.

Mr. JOHNSON. In regard to that, I think the reason most of us are here is because individuals have sustained losses, so you have to assess the situation on an individual-by-individual basis. In order for you to do that, I believe you have to designate a group of individuals to come around and talk to all the individuals that have been hurt, to see how bad they have been hurt, because some people have not been hurt, they have been helped. Some are wounded, some are devastated. It is an individual-by-individual situation and I think that those individuals who have been affected believe that, say as in the Burlington Northern train wreck analogy, if an engine comes through and jumps the track and goes through your house, well after that is over, you do not want an SBA loan. You know, you do not want to talk to your Senator or Congressman, you just want to have the railroad replace your house and compensate you for your injuries. I think that is what most people are looking for.

I know in the case of outfitters, their injuries economically can be assessed by just looking at their booking list to see who they lost and what that individual paid. It is probably a little more difficult for somebody who has a curio shop or something like that, but perhaps his last year's receipts could be looked at and juxtapose them against this year's receipts.

Senator BAUCUS. I think that people should be compensated for losses caused by the State, or by the Federal Government. In this case, a "let burn" policy led to economic loss. The question though is how much further to take that. I have two questions. First, do you think that individuals who have suffered economic losses because of the "let burn" policy should be directly compensated for losses not covered by insurance and other programs. Second, do you think that others who suffered economic losses by fires that are not "let burn" fires, should receive compensation above and beyond what is presently available?

We will start first with you, Jack.

Mr. MAHON. Absolutely, I think that they should be compensated.

Senator BAUCUS. You think both should?

Mr. MAHON. I think so.

Senator BAUCUS. Because that is more than we have done in the past.

Mr. MAHON. OK, for example, the Warm Springs Creek fire was a man-caused fire and it was attacked initially aggressively. The Canyon Creek fire was a "let burn" fire. The tragedy to those people that were involved is equal. It may be a legal question but the tragedy is equal for any losses.

Senator BAUCUS. OK, Dennis, what is your view?

Mr. CHATLAIN. I would say that we are trying to preserve business here and avoid complete disaster to our businesses.

Senator BAUCUS. Would you pull that mike closer please?

Mr. CHATLAIN. And with that in mind, I would say that either the "let burn" policy or the man-caused fire—they have the same consequence. If you are not the one that started the fire, you are still affected as if it were—

Senator BAUCUS. I am no expert in this area, but what happens when there is a man-caused fire that burns you out? Is the man more likely liable than Uncle Sam? Is that not the general rule in our country?

Mr. CHATLAIN. In the case of the Storm Creek fire, which affected me, it was a lightning strike that smoldered in 30 acres for 6 weeks and then all of a sudden it blue up, and there were men monitoring it. Now whose fault was that, was it the men that were monitoring it?

Senator BAUCUS. Was that ever a "let burn" fire?

Mr. CHATLAIN. Yes.

Senator BAUCUS. Well see, in that case that was a "let burn" fire.

Mr. CHATLAIN. Yes, but in that it burned when it was containable. So yes, I would say yes, both kinds of fires deserve the same amount of compensation.

Senator BAUCUS. Clyde.

Mr. SEELY. Yes, I think they should be compensated. One way or another, to whatever degree, it is directly attributable to the fires.

One other comment regarding your previous question, mortgages or real estate loans, in our area anyway, are paying anywhere from 8 to 12 percent. We do not have the low-interest loans available. And I think that that would be very helpful in this case, where these people are not able to make their loan payments this fall or spring, that low-interest loans be made available.

Comment about the long-term effects, I think the long-term effects of this thing we do not have any idea yet. I am not as positive as a lot who have indicated that. I think we are going to suffer some tremendous losses, but I think so much of it hinges on what happens with the rehabilitation program and with the advertising program and with the animals, all of those things.

Senator BAUCUS. Carlo.

Mr. CLERI. I more or less agree with paying for both types of fires, but I kind of draw a little line on this, that the man-caused fire that just burned out one building or 10 or 20 acres, that person should be responsible. But if it gets to be a huge fire, then I would term it a disaster. I mean when you get hundreds of thousands of acres burning, even though it is man-caused, to me that is a disaster and I think it should come under the disaster classification.

And the long-term——

Senator BAUCUS. It would come under the disaster criteria generally, but the question I am trying to determine is should we go further with additional direct compensation above and beyond the usual and ordinary.

Mr. CLERI. Yes. The usual would be to go to the landowner or whoever caused it, but how many people can come up with millions and millions of dollars, you know, to pay off something that happened.

The long-term thing I am quite sure you can get through your resources through Congress, you could check out what has happened on fires in California where they happen every year. How many years does it take to recoup certain areas? I think you could maybe go in there and look for a guideline. I am looking at at least 3 to 4 years. The first year it is sudden but after that, the second year I still feel—particularly like the Yellowstone Park area—that you are going to have so many people that just want to see where the fire was and it should be a banner year as far as tourists, and so forth. But the third year, that might be the telling time. Somewhere we should be able to get a timeframe set up on whatever type of rehabilitation that is coming, and you have to look at all these things. And I am for on a case-by-case basis. I am not for direct giving out money, but if they have got it coming, let us give it to them.

Senator BAUCUS. Don. Any difference in "let burn" and man-caused fires for compensation?

Mr. CONVERSE. We met up in Augusta and we argued about it. Our initial thought was pay them, but then after talking it over we said it is a low, it is already law, that you cannot pay a man-caused fire. I mean that is the way we were told by the Forest. I do not—initial gut reaction said yes, once you get in—on the Warm Springs at Helena, there was a time period of 12 hours when private individuals were not allowed anywhere near this fire to fight it, while the Forest Service regrouped. I am not pointing fingers, please do not misunderstand me, but there is a point in time—why is it that the Hound Creek fire below Great Falls was burning with the same intensity with some other fires and was put out so very fast, by the private individuals.

One thing that has not been addressed that concerns residents in our area—IRS. According to my accountant, unless you have purchased this, any loss—and I have to leave it broad because of so many diverse people here today—unless you have purchased it— if you inherited it, you cannot deduct anything at all. You would have to—like myself, my grandfather homesteaded in 1870 something, there was no value then.

Senator BAUCUS. Let me get this straight, if you purchase your place——

Mr. CONVERSE. Then you are all right because you have a value.

Senator BAUCUS. For tax purposes, what do you deduct?

Mr. CONVERSE. You would have to prorate your purchased part of the business or whatever, but say like on the timber——

Senator BAUCUS. The property devaluation?

Mr. CONVERSE. I presume so, according to my accountant. But if you inherited it, you are out of luck.

Senator BAUCUS. OK. Terry.

Mr. POVAH. Senator, if you have a key to that printing room, I think money is great. [Laughter.]

But as several have pointed out, I am not sure where the money would come from and whether it is legal or not. And without getting into the debate of "let burn" and whether or not to suppress them, just speaking for our business in Yellowstone, as Superintendent Barbee pointed out this morning, we would have to go through the Tort Claims Act to get anything.

Senator BAUCUS. And that is way too late.

Mr. POVAH. Sure, that is not going to help a bit.

Senator BAUCUS. I agree. And in fact, I think it is intentionally designed that way because it costs so much in attorneys' fees to get anywhere and they know people generally will not spend——

Mr. POVAH. We are the Government, we are going to help you.

Senator BAUCUS. Exactly.

Mr. POVAH. No, the only compensation that would be realistic for us to even broach with the Park Service would be an extension of our contract to recoup the investment that we have in the park and have lost this summer. And those dollars are lost forever, they will never be recouped.

Senator BAUCUS. What about—do you make any differentiation between "let burn" losses and "non-let burn" losses?

Mr. POVAH. You mean as far as what I think of the policy?

Senator BAUCUS. No, compensation.

Mr. POVAH. It does not make any difference, we do not get compensated.

Senator BAUCUS. What I asked you though is, do you think you should be compensated if there is a "let burn" fire that caused damages to your outfit?

Mr. POVAH. Well all the fires in Yellowstone were "let burn" fires with the exception of the North Fork.

Senator BAUCUS. That is correct. Do you think that the damage caused by "let burn" should be compensated but the damage caused by North Fork should not be, or do you think it all should be?

Mr. POVAH. Well as far as damages, if you just take visitation count and lost dollars, if we are comparing lost dollars against last year or the year before, or what is your base for lost dollars, I guess that needs to be established, and then you come back and say well OK, we are going to pay you for that, where is the money going to come from. As was pointed out, we cannot get paid for that because of the Tort Claim Act.

The North Fork fire has been the most devastating, that is the fire that went through Old Faithful, went through Madison, and Mammoth, and Tower and on and on and on. It tied in with all the other fires, so how do you differentiate the hot spot on the North Fork that tied in with the Fan fire that went to Mammoth?

Senator BAUCUS. I was going to ask your opinion about that. [Laughter.]

Senator BAUCUS. OK. Ed.

Mr. JOHNSON. I guess my only observation is that this philosophical quandry that is presented to us between what is a man-caused fire and what is a natural caused fire—you know, whether it was Mrs. O'Leary's cow or a lightning bolt that caused the thing, I think this philosophical quandry is not applicable for a couple of reasons.

You mentioned the North Fork fire—well yes, man caused it, but it was "let burn" due to man's inaction because the U.S. Forest Service could not go in the park and put it out for a couple of days while it "free burned" while the Park Service assertained its cause. I believe "free burn" was the terminology that was used. I also do not believe that there is a differentiation in this particular year because there were "let burn" fires that had gotten away from them that had to be put out, and when man caused a fire someplace, off it went because somebody's battery tipped over and there was nobody to go fight it. The firefighters were all in Yellowstone Park irrigating power lines, cleaning out logs from around parking lots and waiting for the fire to come to them at the roadways because they were not allowed to drive on the grass. [Laughter.]

So typically, you know, the regular law of what is a man-caused fire and how it is compensated for really does not apply in this case due to the fact that local communities in Montana had no resources to go fight these small fires initially. Their fire engines were in the park. When the Forest Service was called in, they had no place to pull the resources from. We read that all the warehouses in Missoula and all over the country are empty. We had to call in the Marines. We had to go to Canada. You could not put out a man-caused fire if you wanted to a few weeks ago because the resources were not available because they were all up there in Yellowstone National Park watching these "let burn" fires. [Laughter.]

Senator BAUCUS. OK, well on that note we have other witnesses who want to be heard too. But I want to thank all of you very, very much for coming. You spent a lot of time and effort to get here and I appreciate it. Thank you.

[Pause.]

Senator BAUCUS. Let us move right along here, folks.

The first witness of the second panel is Cal Dunbar, city councilman, West Yellowstone.

In deference to the witnesses, let us be quiet so we can hear what they have to say. Thank you.

First is Cal Dunbar, city councilman from West Yellowstone. Next Gary Spaeth who is a State representative, and John Wilson, administrator, Montana Promotion Division, Montana Department of Commerce.

Cal, why do you not begin.

## STATEMENT OF CALVIN W. DUNBAR, CITY COUNCILMAN, WEST YELLOWSTONE, MT

Mr. DUNBAR. Thank you.

Briefly, I have two things I would like to call to your attention. One of them is a letter from our bank president and the other one is a short dissertation I wrote on the effect on the resort tax.

First, Mike Polkowske, the president of our First Security Bank of West Yellowstone—this is the only bank we have in town and serves as the economic center there—To Whom it May Concern—to your Committee.

> I have been asked to compare this business year from 7-31-88 to 9-15-88 with last year's deposit performance. During the period from 7-31-87 to 9-15-87, which is typically in the past a building period for deposits, deposits increased from $12,436,197 to $14,244,630 or a 14.5 percent increase. During the most recent period of 7-31-88 to 9-15-88, the deposits started at $15,700,000 and ended at $15,540,000 or a decrease of 1.1 percent.
>
> This comparative information leads me to believe the fires in Yellowstone National Park had a serious effect on the local businesses in generating tourist business revenue. Consequently, the local business economy appears to be in need of working capital to provide for loan payments, accounts payable, inventory, living expenses, and other related expenses until June 1989.
>
> Bank is presently working with several loan customers to extend their due dates and payment schedules or reamortize the commercial real estate mortgages until the business revenues come back to normal or working levels again. Bank is optimistic the town will have an average winter business as long as the park remains open to snowmobile and other related means of travel with accommodations and services available.
>
> The first summer after the fire, in 1989, the bank also believes the area will generate good business revenues from curious tourists wanting to see the fire devastation in the park. The bank's concern will be after the first couple of years when the park visitor will return to the tourist who is interested in seeing the park as it was before the fires.

I hope our concern at the bank will generate a sincere commitment by the Park Service to rejuvenate the improved areas of the park and also consider seeding and planting trees along all the roads within 300 feet. I do believe it will be vital to this community to begin this process immediately to assure its completion within the next two years.

Thank you, Mike Polkowske.

Mr. DUNBAR. Then, the other thing that I wanted to call to your attention as part of this economic spectrum that we are talking about here, the Town of West Yellowstone, as you well know, has the only resort tax in Montana. We collect 3 percent on all tourist related items, lodging, bars, restaurants, and other assorted things. It brings us around $600,000 a year, which we have used as a revenue stream against a bonding situation which is nominally 20 years, but they are running now—one is 19 and one is 17—to fund our infrastructure reconstruction up there that is roughly in the neighborhood of $4 million.

And we are concerned about this because of the Federal exemption. The contract holders, of which I have a list here, who signed contracts with the Federal Government, are exempted from paying this resort tax, so that as you have heard the testimony here, across the board, the individuals collect the money, it goes into the economy but the city does not get it.

Senator BAUCUS. Contractors are exempt from resort tax, but they are not exempt from paying landing fees at the airport, is that right?

Mr. DUNBAR. I think that is right.

Senator BAUCUS. That is interesting.

Mr. DUNBAR. That goes to the State. What we are concerned with is that our Mayor on August 9, in keeping with this, issued a letter to all these contractees; motels and other outfits; one of them is the Yellowstone Pizza Co., so we are selling more than steak up there. They will not collect this tax. And that is the basis of this letter that I will read to you quickly.

West Yellowstone was given legislative authority under HB 86 in May of 1985 to collect a 3 percent retail sales tax on lodging, meals, bar expenses and retail tourist items. The town solicited the opportunity to enact local option taxation from the legislature in order to support various major reconstructive improvements as a result of impact by tourism. The town has bonded its storm sewer, and street reconstruction, sidewalks, and street light projects, which were completed this year, against the resort tax revenue source. The bonded indebtedness on the storm sewer project is $1.1 million and $2.65 million for the street project. The annual bonded indebtedness to the town payable from the resort tax is $474,000 for the next 18 years.

The principal concern of the Town Council of West Yellowstone is the documented shortfall in our resort tax revenue generations during August of 1988, and the real possibility of continuing reduced resort tax revenues in subsequent years.

Resort tax revenues generated in fiscal year 1986, which is from January through June 30, this is the first year we had it, were $105,000. The first complete resort tax collections were during the fiscal year of 1987 and was $540,000. Our last fiscal year, 1988, generated resort tax revenues of $608,000, a 13 percent increase for the first full year that we had it over that first year. The Town Council had anticipated a conservative $609,000 annual resort tax collection for the coming fiscal year, which we worked into our budget.

The North Fork fire started on July 23, 1988. Up until that time, our records had indicated a progressively steady increase per month since the inception of the resort tax. The August, 1988 collections received to date, which reflect the July collections, are down 24 percent. In a couple of days we have come up a little bit since the figures we gave you earlier, but we are still down 24 percent compared to the August collections in 1987.

Why? Two reasons. The first is the general shrinkage of the tourist flow due to the fires. And the second is that businesses which generate revenues which are normally collecting this resort tax entered into blanket purchase orders for firefighting personnel and activities. Businesses entering into Government purchase orders have become the standard operating procedure in West Yellowstone. Federal regulations stipulate that, while individuals on federal assignment without purchase orders will pay taxation, the Federal Government is immune to local taxation when contracts are entered into for services and goods.

We need roughly $474,000 a year to be our bonded indebtedness on the street and storm sewer projects. And in accordance with HB 826, the town must apply 5 percent of the total resort tax collections in a fiscal year to property tax relief, right off the top. Using the current resort tax information, the Town Council was anticipating a minimum resort tax collection of $600,000 to meet the necessary bond requirements, property tax relief and general fund services impacted by tourism. We cannot operate if this kind of decreasing percentages continues into our future collections. Another $50,000 reduction in the collections within this fiscal year will put the town on the edge of meeting current fiscal demands. The next fiscal year and the next 18 years thereafter will be finally impact the resort tax, as $474,000 will be allocated right off the top.

We are concerned because we felt our estimates for the 1988/1989 fiscal year and future years were conservative according to our history of collections of revenue generations of this tax. Our conservative projections looked very realistic before the fire.

The North Fork fire unalterably impacted this optimistic view. Whatever economic rebound may occur within the next year, this year with the loss of tourism and the Federal contracted exemptions to the resort tax, have created real fiscal problems for us on the Council.

We respectfully request your support in helping us meet these problems. We ask that you consider direct financial appropriation to the town to offset any shortfall in resort tax revenue due to the Federal exemptions. Additionally, individual business assistance where warranted, and support for substantial long-range appropriation to the National Park Service to implement and execute a continuing tourism reorientation program to assure continued park traffic. This program should be implemented immediately to stimulate a tourism oriented image of the post-fire Yellowstone National Park.

Thank you for your consideration.

Senator BAUCUS. Thank you very much, Cal.

[The prepared statement of Mr. Dunbar follows:]

*TOWN OF WEST YELLOWSTONE*
*Box 579*
*WEST YELLOWSTONE, MONTANA 59758*
*Telephone 406 646-7795*

September 24, 1988

Hearing on Economic Impact of Yellowstone Area Fires

City Center Motor Inn - Bozeman, Montana

Senator Max Baucus

Dear Senator Baucus:

West Yellowstone was given legislative authority under HB 826 (5/85) to collect a 3% retail sales tax on lodging, meals, bar expenses, and retail tourist items. The Town solicited the opportunity to enact local option taxation from the legislature in order to support various major reconstructive improvements as a result of impact by tourism. The Town has bonded its storm sewer, and street reconstruction, sidewalks, and street light projects, which were completed this year, against the resort tax revenue source. The bonded indebtedness on the storm sewer project is 1.1 million dollars, and 2.65 million dollars for the street project. The annual bonded indebtness to the Town payable from resort tax revenues is $473,945.00 for the next 18 years.

The principle concern of the Town Council of West Yellowstone is the documented shortfall in our resort tax revenue generations during August 1988, and the real possiblity of continuing reduced resort tax revenues in subsequent years.

Resort Tax revenues generated in FY 1986 (1-4-86 through 6-30-86 only) were $105,415.25. The first complete resort tax collections were during fiscal year 1987 and generated $540,705.98. Our last fiscal year, 1988, generated resort tax revenues in the amount of $608,563.37, a 13% increase over the first full year. The Town Council had anticipated a conservative $609,000.00 annual resort tax collection for the coming fiscal year.

The North Fork Fire started on July 23, 1988. Up until that time, our records had indicated a progressively steady increase per month since the inception of the resort tax. The August 1988 collections received to date, which reflect the July collections, are down 24% compared to August collections in 1987.

9/24/88
Bozeman, Montana
Senator Max Baucus
Economic Impact Yellowstone Fires

Why? Two reasons. The first is the general shrinkage of the tourist flow into Yellowstone National Park due to the fires. The second is that businesses generating revenues normally collectable for resort tax are entering into blanket purchase orders for fire fighting personnel and activities. Businesses entering into government purchase orders has become the standard operating procedure in West Yellowstone. Federal regulations stipulate that, while individuals on Federal assignment without purchase orders will pay taxation, the Federal government is immune to local taxation when contracts are entered into for services and goods.

We need roughly $473,945.00 per year to meet our bonded indebtness on the storm sewer and street projects. Also inaccordance with HB 826, the Town will apply 5% of the total resort tax collections in a fiscal year to property tax relief. Using the current resort tax information the Town Council was anticipating a minimum resort tax collection of $600,000.00 to meet the necessary bond requirements, property tax relief and general fund services impacted by tourism. We cannot operate if this kind of decreasing percentages continues into our future collections. Another $50,000.00 reduction in collections within this fiscal year will put the Town on the edge of meeting current fiscal year demands. Next fiscal year and the 18 years thereafter will financially impact the resort tax, as $473,945.00 will be allocated right off the top.

We are concerned because we felt our estimates for FY 1988/1989 and future years were conservative according to our history of collections of revenue generations by resort tax. Our conservative projections looked very realistic before the fire.

The North Fork fire unalterably impacted this optimistic view. Whatever economic rebound may occur next year, this year with the loss of tourism and the Federal contracted exemptions to the resort tax, have created real fiscal problems for us on the Town Council.

We respectfully request your support in helping us meet these problems. We ask that you consider direct financial appropriation to the Town to offset any shortfall in resort tax revenue due to the federal exemptions, additionally, individual business assistance where warranted, and support for substantial long range appropriation to the National Park Service to implement and execute a continuing tourism reorientation program to assure continued park traffic. This program should be implemented immediately to stimulate a tourism oriented image of the post-fire Yellowstone National Park.

Thank you for your consideration in these matters.

Sincerely,

Calvin W Dunbar

Calvin W. Dunbar
Councilmember
Town of West Yellowstone

| JAN 88 | Retail Stores | motel | RV Sites | Gas/ minimart | Bars | Cafe | grocery | vehi- Rentals | misc | Gamb. |
|---|---|---|---|---|---|---|---|---|---|---|
| 3[illegible],98.26 | 11% | 18% | 0 | 7% | 1% | 10% | 2% | 11% | 3% | 37% |
| Feb. 88<br>21,382.03 | 12% | 23% | 0 | 3% | 1% | 10% | 1% | 11% | 3% | 36% |
| Mar. 88<br>24,566.06 | 11% | 37% | 0 | 4% | 1% | 11% | 3% | 7% | 3% | 23% |
| April 88<br>6894.86 | 15% | 15% | 0 | 14% | 4% | 30% | 9% | 1% | 6% | 6% |
| [illegible]y 88<br>[illegible]0,017.58 | 23% | 24% | 1% | 5% | 1% | 24% | 6% | 0 | 2% | 14% |
| June 88<br>71,719.57 | 32% | 19% | 1% | 5% | 0 | 18% | 5% | 1% | 4% | 15% |
| July 88<br>126,692.12 | 31% | 21% | 1% | 5% | 1% | 18% | 5% | 0 | 2% | 16% |
| [illegible]222198,<br>[illegible],749.92 | 32% | 21% | 1% | 5% | 1% | 15% | 5% | 0% | 3% | 17% |

| Oct 87 | Retail Stores | motel | RV Sites | Gas/ minimart | Bars | Cafe | grocery | veh. Rentals | misc | Camb. |
|---|---|---|---|---|---|---|---|---|---|---|
| 23,243.38 | 30% | 20% | -0- | 7% | 2% | 11% | 7% | -0- | 1% | 22% |
| Nov 87 | | | | | | | | | | |
| 10,170.21 | 16% | 20% | 0 | 13% | 3% | 15% | 8% | 1% | -0- | 24% |
| Dec. 87' | | | | | | | | | | |
| 28,038.35 | 14% | 25% | -0- | 5% | 1% | 10% | 3% | 16% | 4% | 22% |
| 1987 Total | | | | | | | | | | |
| 515,904.30 | 27% | 21% | 1% | 4% | 1% | 15% | 4% | 3% | 3% | 21% |

| Jan 1987 | Retail Stores | motel | RV Sites | Gas/ minimart | Bars | Cafe | grocery | veh. Rentals | misc | Camb. |
|---|---|---|---|---|---|---|---|---|---|---|
| 33588.50 | 10% | 15% | 0 | 5% | 1% | 7% | 2% | 12% | 3% | 45% |
| Feb 1987<br>50,771.48 | 15% | 15% | 0 | 6% | 1% | 7% | 2% | 12% | 2% | 40% |
| Mar 87<br>23,027.36 | 10% | 11% | 0 | 8% | 2% | 10% | 3% | 9% | 2% | 45% |
| Apr 87<br>7,278.85 | 13% | 21% | 0 | 13% | 3% | 24% | 11% | — | 1% | 14% |
| [illegible] 87<br>[illegible]2,013.53 | 25% | 22% | 1% | 5% | 1% | 21% | 6% | 0 | 2% | 17% |
| June 87<br>71,136.20 | 32% | 21% | 1% | 4% | 1% | 18% | 5% | 0 | 3% | 15% |
| July 87<br>173,383.08 | 34% | 22% | 1% | 3% | 0 | 17% | 4% | 0 | 4% | 15% |
| Aug 87<br>11[illegible],[illegible]82.70 | 34% | 24% | 1% | 3% | 0 | 16% | 4% | 1% | 4% | 13% |
| Sept 87<br>68,290.66 | 28% | 25% | 1% | 3% | 1% | 19% | 4% | 1% | 1% | 17% |

| Sept 86<br>58,864.90 | Retail Stores | motel | RV sites | Gas/ minimart | Bars | Cafe | grocery | veh. Rentals | misc | Gamb. |
|---|---|---|---|---|---|---|---|---|---|---|
|  | 28% | 23% | 0% | 4% | 1% | 17% | 4% | 2% | 2% | 19% |
| Oct. 1986<br>16,208.58 | 26% | 18% | 1% | 9% | 2% | 16% | 8% | — | — | 20% |
| Nov. 1986<br>8365.38 | 11% | 19% | — | 13% | 2% | 23% | 8% | 2% | — | 22% |
| Dec. 1986<br>22,360.10 | 13% | 14% | — | 8% | 1% | 9% | 4% | 14% | 3% | 34% |
| 1 yr Total<br>502,242.51 | 27% | 20% | 1% | 4% | 1% | 16% | 5% | 3% | 3% | 19% |

| JAN 86' | Retail Stores | motel | RV sites | Gas/ minimart | Bars | Cafe | grocery | veh. Rentals | misc | Gamb. |
|---|---|---|---|---|---|---|---|---|---|---|
| 18,739.23 | 11% | 12% | 0% | 4% | 1% | 12% | 4% | 12% | 1% | 43% |
| Feb. 86 | | | | | | | | | | |
| 41,897.55 (1% Rec'd in penalties) | 10% | 21% | 0% | 3% | 2% | 10% | 2% | 12% | 1% | 38% |
| MARCH 86' | | | | | | | | | | |
| 16,78787 | 11% | 8% | 0% | 7% | 1% | 11% | 5% | 10% | 2% | 45% |
| April 86' | | | | | | | | | | |
| 5260.55 (0 Rec'd in penalties) | 15% | 25% | .02% | 15% | .03% | 25% | 13% | .02% | 2% | 4% |
| May 1986 | | | | | | | | | | |
| 22731.05 | 23% | 20% | 0 | 7% | 3% | 21% | 7% | 0 | 2% | 17% |
| June 86' | | | | | | | | | | |
| 64,170.71 | 31% | 23% | 1% | 4% | 1% | 18% | 5% | 1% | 3% | 13% |
| July 86' | | | | | | | | | | |
| 113,551.68 | 34% | 21% | 1% | 3% | 0% | 17% | 4% | 1% | 4% | 15% |
| Aug 86 | | | | | | | | | | |
| 112,777.91 | 32% | 21% | 1% | 3% | 1% | 17% | 4% | 1% | 3% | 17% |

1ST Security Bank
P.O. BOX 550-TELEPHONE (406) 646-7646
WEST YELLOWSTONE, MONTANA 59758

September 20, 1988

To Whom It May Concern:

I have been asked to compare this business year from 7-31-88 to 9-15-88 with last years deposit performance. During the period from 7-31-87 to 9-15-87, which is typically in the past a building period for deposits, deposits increased from $12,436,197 to $14,244,630 or a 14.5% increase. During the most recent period of 7-31-88 to 9-15-88 the deposits started at 15,707,296 and ended at 15,541,889 or a decrease of 1.1%.

This comparative information leads me to believe the fires in Yellowstone National Park had a serious effect on the local businesses in generating tourist business revenue. Consequently, the local business economy appears to be in need of working capital to provide for loan payments, accounts payable, inventory, living expenses, and other related expenses until June of 1989. Bank is presently working with several loan customers to extend their due dates and payment schedules or reamortize the commercial real estate mortgages until business revenues come back to normal or working levels again. Bank is optimistic the town will have an average winter business as long as the Park remains open to snowmobile and other related means of travel with accommodations and services available. The first summer after the fire, in 1989, the bank also believes the area will generate good business revenues from curious tourists wanting to see the fire devastation in the Park. The Bank's concern will be after the first couple of years when the Park visitor will return to the tourist who is interested in seeing the Park as it was before the fires. I hope our concern at the bank will generate a sincere committment by the Park Service to rejuvenate the improved areas of the Park and also consider seeding and planting trees along all the roads within 300 feet. I do believe it will be vital to this community to begin this process immediately to assure its completion within the next two eyars.

Thank you,

Mike Polkowske

Mike Polkowske
President

Senator BAUCUS. Gary.

## STATEMENT OF HON. GARY SPAETH, STATE REPRESENTATIVE, SILESIA, MT

Mr. SPAETH. Thank you, Senator Baucus. I would also like to thank your staff, in particular Mark and Sharon, for all their hard work with the different kinds of questions and inquiries that I submitted to your staff, they were very helpful in many of the things that were involved in the last 6 weeks.

I have prepared remarks but I will reduce those or at least avoid repetition.

As far as the background on these fires, I think the Federal policy both in the Park Service and the Forest Service of "let it burn" has caused us problems, particularly in the Red Lodge/Carbon County area.

What happened in Red Lodge in particular on a day-to-day basis, we had many days of red sun and also several days of no sun where the street lights were on and you turned your car lights on. This is a tourist mecca and that is not the type of atmosphere that you want to create and help bring tourists to the community. Also, it had severe health impacts, at least on many of the senior citizens that retired to the Red Lodge area. Also, people from Billings decided not to come up. I do not know how you could ever compensate those. For an example, my Dad, who has emphysema used more oxygen in the last 6 weeks than he did in the last 3 years because the fire smoke caused a problem. Also, that same health impact and the smoke has an impact upon the people coming in from the nearby communities. We get a great deal of people coming to Red Lodge to take advantage of our pure mountain air. It was not very pure from the first part of August on.

Also, one of the things that we do not really think of, Carbon County also has in the Clark Fork drainage, a substantial amount of the agriculture over there is dependent on the water for irrigation from the Clark's Fork River. This year it was naturally dry and short because of the drought problems, but much of the drainage of the Clark's Fork River has been seriously impacted. What will happen next year, particularly if it is a water shortage year naturally, and with the impact that it will have on the drainage, I think the farmers and ranchers in that area will be impacted and should not necessarily be overlooked in anything that will be considered.

As far as the local direct impacts, we are necessarily a gateway community next door to the park, but we are a gateway community, and we do have a very serious dependence—we do depend very much on the tourist traffic and trade going through Red Lodge. We did not have a particularly good ski season last winter and because of that, the impacts of the fire will exacerbate some of the local economy and impacts received from last years.

I went through and asked several of the businesses of the town of Red Lodge and the surrounding area, a representative sample, and I will briefly go through and at least highlight some of those. I also have several statements with financial reports actually from some of the businesses, but I will just sort of highlight those and enter the rest of the statements in the record if that would be satisfactory.

Senator BAUCUS. Fine.

Mr. SPAETH. Marge McCarty of the Village Shoppe, a clothing store, no growth. She expected growth this year because there are three fewer clothing stores in the Red Lodge area this year than there was last year and actually the latter part of the summer the return from the business reduced.

The Super 8 from the 15th of August, business dropped off by one-third.

The Chamber of Commerce, before the smoke hit the area, they were experiencing 200 people per day, the chamber has undergone a fairly extensive promotional effort this year, we are hoping for some return on that promotional effort and the money that was invested. The 200 people per day, they were very happy. That dropped when the smoke arrived to about 50 people a day, a ¾ percent reduction.

The LuPine Motel, the Best Western in town, was down 3.24 percent in August as far as visitation. The first part of that was up as a result of the festival but as soon as the festival was over it was reduced. September so far is off 30.4 percent. That for the LuPine, the biggest motel in town, that translates into a several thousand dollar loss.

Pines and Clearings, an eating/entertainment establishment in the area, August 15 to present is down $10,000 over last year and this is the first year in the 12 to 15 years that they have been operating their multifaceted establishment where July was better than August.

The Feathered Hook, a fishing concern, literally doing very little business since August 1.

P.D. McKinney's is down 17 percent, an eating establishment in August, 19 percent this year in September so far.

The Broadway Bookstore, something that we do not normally think of as being impacted possibly by tourists. It is a new business, they were experiencing growth, the growth rate dropped to 1 percent in August. Their chart expected it to be much higher than that, they are now experiencing a net loss for September.

Hagen Plumbing and Heating, a plumbing business not directly affected but now he is starting to experience some of the indirect effects of the fallout in the business.

The Red Lodge Beverage Company, Pepsi and other types of beverages. June was the best month that they ever had because they are affected by temperature and tourists; hot summer, lots of tourists, lots of Pepsis sold. It started dropping off in July and in August, starting the second week in August, beverage sales in the community were extremely flat and nothing happened.

We did have three businesses that we contacted, and I am sure that there were more, the mosaic pattern that was mentioned earlier really does fit, we were not as benefited because we were further away from the fires but the Pollard showed some increase because that is where some of the fire people stayed on their leave.

Clark's Tours, they increased their business, they supplied buses to the firefighting efforts in both Montana and Wyoming.

Ray Good Motors, the tourist work down but they did do some mechanic work and other work on fire vehicles.

The Montana Bank indicated that overall the latter part of August to the present, deposits are down substantially. They realize that the Festival of Nations, for example, is the best week in town as far as deposits, Christmas second, but the latter weeks of August are the third best, they are way down.

We heard from outfitters, outfitters have been totally devastated as far as the impact of the fire.

This all comes on top of, again as I mentioned, a bad ski season, the summer drought that caused problems in the rural areas, so areas like Red Lodge have had a triple whammy this year. The fire was not something—they might have been able to cope with the other problems, but when you give them the additional whammy of the fire, a lot of businesses are on the verge of going broke, they are not going to be able to hold on if they do not receive some effort.

Where to go—also as a member of the State Appropriations Committee, I can see county costs even in Carbon County—I don't know what the State costs are going to be as far as the fires are concerned, but it is going to have at least some impact on the State budget. And again, I do not know how that can be alleviated.

One of the things that I am most concerned about is the people that I have talked to in our community, is their future. They are apprehensive about the future, they are concerned about what can be done, they are concerned about what you at the Federal level and the Federal governmental agencies can do, and also the State, to help alleviate the impact. Obviously one that is important is promotional activities to include additional support to—the Chamber of Commerce made a substantial investment, that investment basically was somewhat lost, not totally. I talking to Mr. Wilson, probably collections will be down in Yellowstone Country, which is part of the promotional activity that has been set up under the travel promotion program and we get a pro rata share of those collections. Those are down so our local promotional activities through the regional area will be a concern.

I think things that should be looked at are no interest loans—not just low-interest loans, but no interest loans. Grants, I think are the only way that we can help at least some businesses such as outfitters, at least survive this year when their businesses were totally devastated, no income and lots of outgo. Low-interest loans are important.

Promotional activities, as I mentioned earlier, are important. And I think a third thing that we need to have, and this is one of the things that—I am kind of cleaning up the language that I heard from a lot of local people, but I am going to relay it on. [Laughter.]

I think that we need a much better oversight by public officials in particular in reaching policy decisions. I do not think that a lot of the local businesses, including myself, have no problem with the "let burn" policy, but if we knew last June, such as on the Storm Creek fire, which started June 12, that we were possibly staking our economic future on the "let burn" policy, I think that that kind of gambling should have been brought to at least somebody's attention. And I guess some of the people—at least most of the people I talk to—are concerned that the same people that slavishly adhered to the "let burn" policy are the same people that are supposedly going to help us out now that it is all over with. They wanted a little more oversight as to what was going on. And I guess that we as elected officials, and you particularly at the Federal level, I would hope that you are going to be actively involved in making policy decisions as they affect—and not necessarily let the Park Service and the Forest Service have free hand as to what they want to do to our future, because I think we as public officials have to participate in the decisions and make the final decisions.

Again, thank you, Senator Baucus and your staff.

[Applause.]

Senator BAUCUS. You touched a chord. [Laughter.]

[Material follows:]

NATALI'S
Pius and Karin Meier
P.O.BOX #9 RED LODGE,MT.59068

PHONE: 446-3333

September21, 1988

TO: Mr.Gary Spaeth
RE: Impact of fires on local businesses

Dear Gary:

In response to your letter regarding the impact of fires on local businesses, we like to state, that: During the period of August 15th through September 15th, 1988, when the smoke situation was really bad we lost $10,000.00 in revenue.

This figure is in comparison with last year. We probably could have done much better, because of the beautiful warm weather. The fire situation at Yellowstone Park kept many people away from traveling through our town, over the Beartoothpass in to Yellowstone.

We hope this information will help you.

Sincerely,

Pius and Karin Meier
Natali's Rest. & Bar

SKYLINE GUIDE SERVICE

(Winter)
BOX 27
BELFRY, MT 59008
(406) 664-3187

(Summer)
Box 1074
Cooke City, MT 59020
(406) 838-2380

9 23-88

The Jackson family has been outfitting since Grandpa V.C. was packing supplies in for the mines in the 30's & 40's.

We took over the business in 1976.

Nothing in the past has prepared us to expect the economic disaster that faces us this season.

By early August we were getting cancellations due to the smoke. The road traffic had slowed down considerably & by the last week in August, all of our bookings had to be cancelled. This amounted to a $4,000.00 gross lost from booked fishing & sightseeing trips.

Then, since the Silver Gate back-firing burned through our hunting area, our hunting season was closed. This amounts to a loss of about $19,000.00 in booked business. We often get meat retrieval & off the road business also.

We are faced with having to return deposits, refinance loans & try to get through the winter without our major source of income.

This comes right on the heels of last years disastrous scenario when only 6 of our 24 booked hunters drew a license. We were needing a good season this year to pull us out of that one!

The back firing that came through our area cannot be classified as "an act of God" for surely it was not! It was the conscious decision of men who knew full well that high winds were forecast for the next couple days

I feel the persons who made that decision & the agencies that gave them that authority should be held accountable and responsible for the devastating destruction of homes, forest and revenue lost to the fire.

Sincerely,
Vic & Liz Jackson
Skyline Guest Ranch & Guide Service

Com Mr. Spaeth 9-23-88
State Rep.

Working on Storm Creek ground support further support's my thinking that the U.S. Forest & Park operates on trial & error policy!

I ask for your SAT. meeting for a quick investigation on all damages done by present fire policy (befor snow fall) by non- Forest or park personel.

1. Animal kill & wounded.
2. personel property damage.
3. natural resoures.

(The above be actual count, no estimate)

Reason for the above is that presently U.S. Forest Service out of Gallatin is attempting to surpress some. of cook city area. They refuse to open hunting for fear that hunters would find out truth in animal kill. Although Gardiner recently reopened their season with no more added moister then cook!! (outfitter pressure)

A citizen task force on horse back could cover said area's befor snow fall.

GARY L. SPAETH
FIRE IMPACT. 1988
SEPTEMBER 22. 1988

DEAR REPRESENTATIVE SPAETH:

THE IMPACT OF THE YELLOWSTONE FIRES IS A VERY CONCERNING MATTER TO MY BUSINESS. I FEEL IT EFFECTED MY BUSINESS THIS SUMMER AND MAY POSSIBLY EFFECT BUSINESS IN THE FUTURE. BEING IN THE SOFT DRINK BUSINESS. I AM IMPACTED BY TWO MAIN FACTORS IN THE RED LODGE AREA. (1) TEMPERATURE AND (2) TOURIST DOLLAR.

THE SUMMER OF 1987 WAS A VERY POOR YEAR FOR THE SOFT DRINK BUSINESS. WE HAD A GOOD TOURIST TRADE BUT LACKED THE HEAT TO BOOSTER SALES. THE SUMMER OF 1988 HAD BOTH FACTORS WORKING FOR US DURING THE MONTH OF JUNE. WHEN WE HAD THE BEST MONTH OF SALES ON RECORD DURING MY TEN YEARS IN BUSINESS. BUT SAW SALES SLIP BOTH IN JULY AND THEN MOST NOTABLE AFTER THE FIRST WEEK IN AUGUST.

I WILL NEVER BE ABLE TO REGAIN PROFIT LOST IN JULY AND AUGUST OF THIS YEAR. BUT MY MAIN CONCERN IS WHAT FUTURE DOES MY BUSINESS HOLD IF TOURIST TRAVEL DECLINES IN THE UPCOMING YEARS. WHAT ISSUANCE DO I HAVE THAT THE ATTITUDES OF MILLIONS OF AMERICAN AND FOREIGN VISITORS WILL CHANGE OR EVEN WANT TO CHANGE THEIR PRESENT VIEW OF THE CHARRED FORESTS OF YELLOWSTONE NATIONAL PARK.

THE ECONOMICAL FUTURE OF OUR AREA IS AGAIN IN THE HANDS OF THE FEDERAL GOVERNMENT. JUST AS OUR FIAT WAS IN THEIR HANDS THIS SUMMER.

THANK YOU.

Leon L. Baranko

LEON L. BARANKO. PRESIDENT

RED LODGE BEVERAGES. INC.

Hagen Plumbing & Heating, Inc.
12 N. Broadway Phone 406 446-2140 P.O. Box 538
Red Lodge, Montana 59068

TO: Representative Gary L. Spaeth
FROM: Hagen's Plumbing & Heating, Inc.
RE: Impact of fires on business
DATE: September 23, 1988

Thank you for asking my opinion concerning the impact on local businesses in Red Lodge due to the fires.

I have worked at this location for almost 35 years in the plumbing business. I have always been aware that a good tourist or ski season has not increased my business at that immediate time. But, down line I benefit as motels, restaurants, bars etc. remodel their plumbing or heating.

As for the fires, I feel this had to hurt badly. Even though some of the fire fighters stayed in Red Lodge the dollars my business receives will be 2nd or 3rd down line.

Sincerely,

John J Bone

John J. Bone, President
Hagen's Plumbing & Heating, Inc.

JJB/bb

To Gary Spaeth, Representative
From: Broadway Bookstore
P.O. Box 1007
Red Lodge, MT. 59068

During 1988 for the months January thru June, our average growth rate was 46%, beginning in July as a result of the Yellowstone Forest Fires and the surrounding Wilderness area Fires, our growth rate plummeted to 1% and as of September we are experiencing a net loss. The figures below show our lost sales.*

| | *Gross | Profit |
|---|---|---|
| July 1988 | 1669 | 667.60 |
| Aug. " | 2103 | 841.20 |
| Sept. " (3 wks.) | 900 | 360 |

Since we are a business that is largely dependent on tourism, we can only wonder what the future will bring.

Partners Doris Wadsworth
Susan Wadsworth Tracy

P.O. Box 89
Red Lodge, Montana 59068
September 21, 1968

Rep. Gary Spaeth
Silesia, Montana 59080

Dear Gary,

In refererence to your letter concerning the impact of Yellowstone fires on local businesses, we have come up with some rough figures comparing business this summer to the summer of 1987.

Factors other than the fires probably enter in too, but we are showing a 12% decrease in July, a 17% decrease in August, and so far September has shown a 19% decrease. September is normally a good tourist month since many retired couples travel in the Fall.

Thanks for your concern in this matter.

Sincerely,

Don + Janis

Don and Janis Williams
P.D. McKinney's Family Dining

9/22/88

The Feathered Hook
Fly Fishing Shop
P. O. [illegible]
RED LODGE, [illegible]

Gary —

Thank you for your letter of 9/19 concerning the forthcoming hearing with Senator Max Baucus. I am especially concerned with any adverse effect the fires may have upon the fishery of Yellowstone National Park; such as run-off and siltation. Fishing in Yellowstone National Park is a goal of many people across the country and I hope that this prime fishery (and the economic value to local business) will be considered in any federal action.

Sincerely,

Richard C. Morse

**LuPine Inn**
P.O. Box B
Red Lodge, Montana 59068
406/446-1321

To: State Representative Gary L. Spaeth

Re; Impact of fires on local businesses
Date: Sept. 21, 1988

Dear Mr. Spaeth,

We would like to submit for your meeting on Sept. 24, a statement concerning the impact of the Yellowstone fires on our motel business.

As you are aware our business is primarily resort and tourist oriented, in which income from the months of June to September are required to carry the business through the rest of the year. Chart 'A' serves to illustrate the gross cash flow during these months as compared to the rest of the year. The months of April, May, October, November and December generally have a negative net cash flow after operating costs and interest payments.

This chart also shows that June and July of 1988, showed a very good increase in income over the previous year. (The average increase for June & July over the previous year was 17.55%.) This upward trend was also expected to carry through or increase for August and September. However by mid August the effect of the fires on tourism were felt and the increase over Aug, 1987 was only 3.24% (less than the inflation rate). The September gross calculated to date indicates a 30.4% decrease over the previous year. This represents a loss of income of $21,300 from that projected for these two months.(See Chart 'B').

Chart 'A' also shows that due to poor snow conditions, income was down substantially in Jan.-Mar. of 1988 over the previous year. This combined with a poor summer and fall due to the fires, means that we will not have enough cash reserve to cover interest and principle payments during the lean fall and spring months. Any federal legislation or assistance to help alleviate this impending serious financial problem would be greatly appreciated.

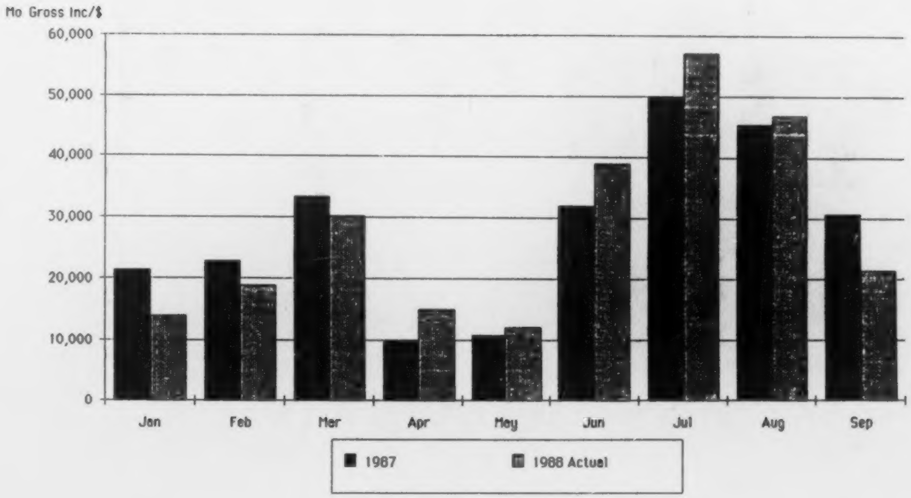
Yours truly

Bill · Elsie Wilson

Bill and Elsie Wilson
Owners

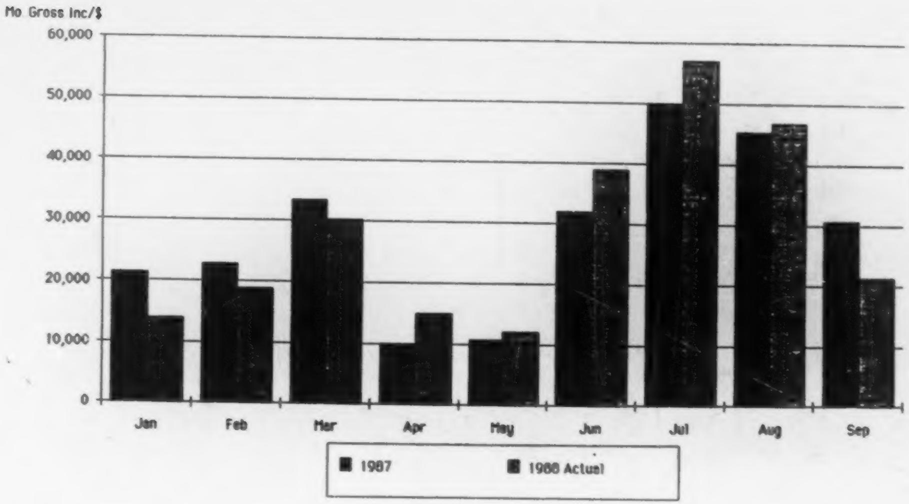
"Best Western is the world's largest chain of independently owned and operated hotels, motor inns and resorts"

B/W LuPine Inn - Red Lodge, Mt    Gross Monthly Sales



9/21/88 4:55 PM

B/W LuPine Inn - Red Lodge, Mt.    Gross Monthly Sales



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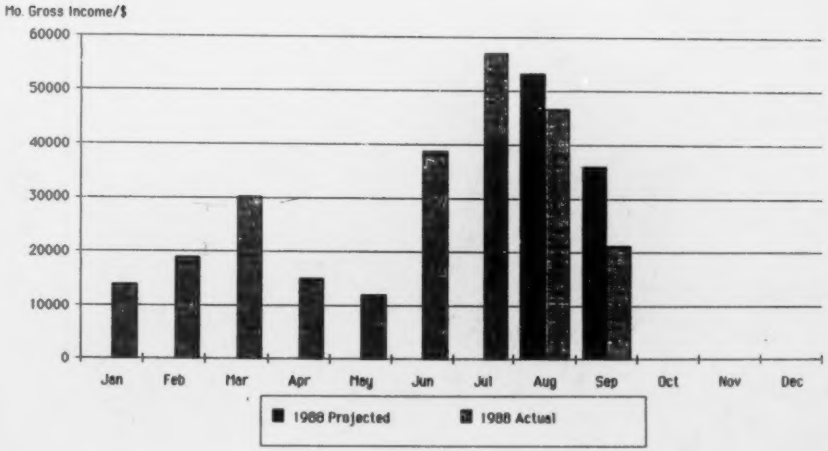
LuPine Gross 87-88

| | A | B | C | D | E | F | G |
|---|---|---|---|---|---|---|---|
| 1 | | 1987 | | 1988 Projecti | 1988 Actual | 1988 Projected | Increase |
| 2 | Jan | 21,440 | Jan | | 14,030 | | |
| 3 | Feb | 23,041 | Feb | | 19,178 | | |
| 4 | Mar | 33,604 | Mar | | 30358 | | |
| 5 | Apr | 9,786 | Apr | | 15161 | | 54.93% |
| 6 | May | 10,975 | May | | 12158 | | 10.78% |
| 7 | Jun | 32,265 | Jun | | 39004 | | 20.89% |
| 8 | Jul | 50,040 | Jul | | 57155 | | 14.22% |
| 9 | Aug | 45,526 | Aug | 53517 | 47003 | 53517 | 3.24% |
| 10 | Sep | 30,883 | Sep | 36304 | 21500 | 36304 | |
| 11 | Oct | 15,441 | Oct | | | | |
| 12 | Nov | 5,837 | Nov | | | | |
| 13 | Dec | 14,289 | Dec | | | | |
| 14 | Jan | 14,030 | | | | | |
| 15 | Feb | 19,178 | | | | | |
| 16 | Mar | 30358 | | | | | |
| 17 | Apr | 15161 | | | | | |
| 18 | May | 12158 | | | | | |
| 19 | Jun | 39004 | | | | | |
| 20 | Jul | 57155 | | | | | |
| 21 | Aug | 47003 | | | | | |
| 22 | Sep-88 | | | | | | |
| 23 | Oct-88 | | | | | | |
| 24 | Nov-88 | | | | | | |
| 25 | Dec-88 | | | | | | |
| 26 | Jan-89 | | | | | | |
| 27 | Feb-89 | | | | | | |
| 28 | Mar-89 | | | | | | |
| 29 | Apr-89 | | | | | | |
| 30 | May-89 | | | | | | |

Actual Proj
34.56
16.77
9.66
17.55
30.38 17.5[illegible]

B/W LuPine Inn - Red Lodge, Mt

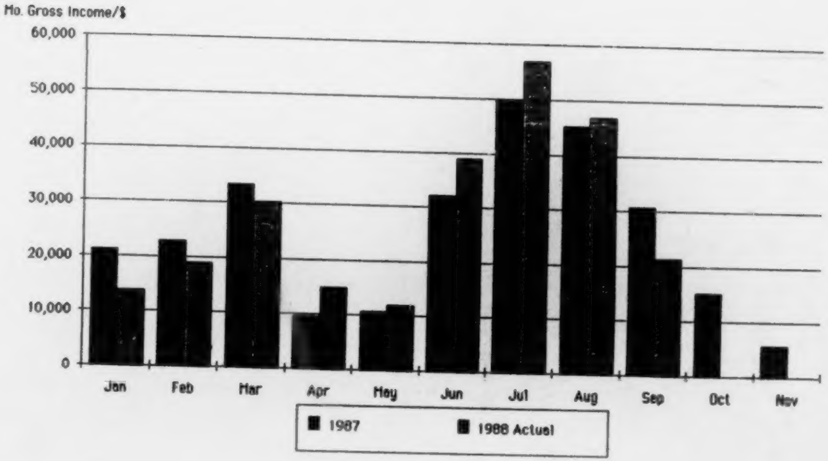


Gross Monthly Sales

9/21/88 5:35 PM

A

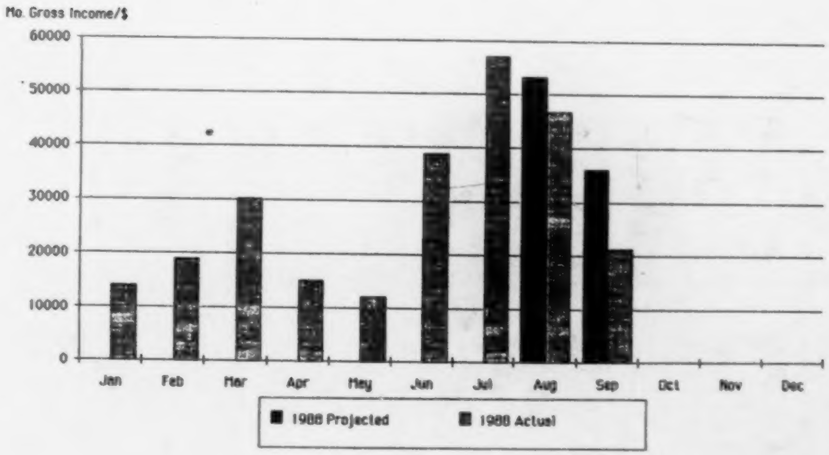
B/W LuPine Inn - Red Lodge, Mt.



Gross Monthly Sales 9/21/88 5:20 PM

B

B/W LuPine Inn - Red Lodge, MT.



Gross Monthly Sales 9/21/88 5:35 PM

The Village Shoppe
P.O. Box 610
Red Lodge, Montana 59068
406-446-2020

9/22/88

Statement regarding business conditions in Red Lodge.

As a main street business owner in Red Lodge, I feel I have been greatly impacted by the fires in Yellowstone. The result being, having to borrow money at the bank to carry me through. I projected revenue increase of $500 for August and $300 for September of 1988 over 1987, due to the loss of 3 retail competitors 2 due to retirement, and 1 due to lack of commitment. My increase in August was all due to an exceptionally good festival of nations. My September to 9/20 is $400 behind last year, which causes me to worry that things will get worse.

I feel between the drought and the fires we have several businesses in jeopardy this winter, I know I will have to borrow money I did not plan on borrowing, plus it will affect the # of jobs I can offer.

Margaret [illegible] McCarty
Owner

Senator BAUCUS. John.

## STATEMENT OF JOHN WILSON, ADMINISTRATOR, MONTANA PROMOTION DIVISION, MONTANA DEPARTMENT OF COMMERCE, HELENA, MT

Mr. WILSON. Senator, I too will try not to duplicate any of the other statements.

As you know, from reading the Montana papers, tourism is a bright spot in Montana's economy. We had a record year last year, we are looking at a record year this year and quite frankly the fires took some, but not all of the wind out of tourism's sales here in Montana, and of course adjacent States as well.

If we look at just Yellowstone Park and the visitation numbers, gate counts, there are 260,000 less visitors to the park through August of this year compared with August of last year. If you multiply that out on expenditures per day per party, conservatively between $60 and $70 million is lost and that does not take into account outfitters outside the park, guest ranches, the Red Lodge problems, those kinds of things.

To be accurate, on the other side of the coin, Glacier Park was up 17 percent in August, so I think you can clearly say it is not just a tourism phenomenon, it is fire related, so it is pretty clear to us.

We support disaster aid to those businesses and communities that are acutely affected right directly adjoining the park, but we now need to turn our attention to the future and that is where we are focusing our attention.

To be perfectly honest, I share Cal and Gary's concern for the future. I think next year you will see the curiosity related tourism, but I am really worried about 1990, 1991, 1992, once that has been sort of run the gamut.

The media, national and international, have covered the fires. We were front page news for a month, we were the lead story on ABC and NBC Nightly News. We made a copy of NEWSWEEK from Japan, front page article on the fires and devastation in Yellowstone. Similar kinds of things in the United Kingdom, in Germany and all those markets.

Senator BAUCUS. Did you read it?

Mr. WILSON. Well, no. [Laughter.]

You can tell by the pictures.

That publicity—you know, now that the fires are almost out, all the satellite beam-ups are gone, the reporters are gone, the story is over with and we are left, you know, to pick up the pieces. I do not blame the media for that, they have to go on to the next story for sure, but 2 days ago or 3 days ago, Paul Harvey said on his radio show, and I quote "one half of Yellowstone lies in ashes." And that is the kind of perception that is being broadcast not just, you know, in the United States, but around the world.

Our concern is now for that future. Now that the fires are out, we need to turn that whole thing around essentially. We need to know whether potential visitors are left with the perception that Yellowstone looks like the bottom of their barbecue grill, or whether the tour operators from around the world, as Terry Povah said, are willing to rebook their tours into Yellowstone or say let us go somewhere else. Do potential visitors know that the major features in the park are intact and that the devastation from the fire is not anywhere close to what the perceptions are given by the fire storm that the media covered. Are they aware that as we speak here Yellowstone is rejuvenating and indeed there is a new Yellowstone and a story to tell.

Those are questions that we have. The Governor has directed our tourism office, and Governor Sullivan in Wyoming, to get on with the program and said, you know, we need to get out and tell that story. We have put a plan together between the Wyoming Travel Commission, the three concessioners in the National Park and our office, to get on with that in a very active, public education and information program. It will be a joint effort between the two States. The Governors have asked jointly the Secretaries of Interior, Agriculture and Defense to help fund that. And specifically, as Governor Schwinden said, they have asked for $3 million over a 3-year period. We are going to put some State resources in as well. We think part of it is our job.

We urge this subcommittee and you in particular as our representative, to make sure that those requests are looked at closely and that we get a response as quickly as possible.

We feel that the single best thing that we can do for the tourism businesses in Montana and Wyoming is to get the customers back. We need to deal with the short-run, but in the long-run, we need to get those customers back. We think we know how to do it, we have got some experience, we would like to get a shot at it.

So I will close by saying we cannot make a better investment in our future than to get into an aggressive public education and information campaign. And I guess I ask you when you get back to Washington, to see if you can get them to cut a check, we are ready to go.

Senator BAUCUS. I have heard that one before too.

[The prepared statement of Mr. Wilson follows:]

DEPARTMENT OF COMMERCE

TED SCHWINDEN, GOVERNOR
1424 9TH AVENUE
STATE OF MONTANA
(406) 444-3494
HELENA, MONTANA 59620-0401

September 24, 1988

Senate Small Business Committee
Testimony of John Wilson, Administrator
Montana Department of Commerce
Helena, MT 59620

Senator Baucus, members of the committee my name is John Wilson and I am the Tourism Promotion Director for the state of Montana.

Tourism has been heralded as the "bright spot" in Montana's economy. The state and private sector have joined forces to market domestically and internationally. It's working. Up until the fires of 1988 and the resultant worldwide publicity Montana was headed for a record tourism year... on top of a record year last year.

The fires took some, not all, of the wind out of the travel industries sails. I conservatively estimate that between sixty and seventy million dollars in tourism revenues were lost as a direct result of the fires. Yellowstone alone lost 260,000 visitors compared to 1987. To be accurate it is important to note that non-fire tourism areas were not negatively effected. For example Glacier National Park and environs report a 17% increase in 1988.

While we support disaster aid to those businesses and communities acutely effected, we must now turn our attention to the future. The single best course of action we can take is a course which brings back our customers and clients.

To be perfectly honest, we are concerned about the future. While we expect there will be a certain amount of "curiosity" tourism next summer, we cannot be certain, we fear for 1990, 1991, and beyond.

AN EQUAL OPPORTUNITY EMPLOYER

For over one month the fire "devastation" was the lead story on the nightly news across America and the world. Front page news in major papers and magazines.

Just two days ago Nationally Syndicated Radio Personality Paul Harvey said and I quote "one half of Yellowstone lies in ashes". Attached to this testimony is an article from the Japanese equivalent of Newsweek depicting the damage and devastation.

The examples of this kind of coverage are far to numerous to list.

Our concern now is for the future. Now that the fires are out and the media attention has declined what will happen to the visitation in the future?

Are potential future visitors left with the perception that Yellowstone looks like the bottom of their barbecue grill?

Will tour operators from around the world redirect their customers away from Yellowstone and Montana?

Do potential visitors know that the major features and hospitality structures in Yellowstone are largely unaffected?

Are they aware that as we speak Yellowstone is rejuvenating and viewing that process first hand is a reason to come rather than stay away?

Tourism businesses and tourism officials see challenge and opportunity. The tourism offices of Montana and Wyoming under the direction of their respective Governors have joined forces to create an honest, positive innovative three year public education and information campaign designed to tell the continuing story of the "new Yellowstone".

Governors' Schwinden and Sullivan have asked the Secretaries of Interior, Agriculture and Defense for direct assistance in financing this campaign which would be jointly directed by the tourism office of both states. They have requested 3 million dollars over three years. This compliments the request for disaster aid to businesses.

We urge the committee to support the Governors' request and to actively direct those federal agencies to honor the Governors' request in a timely fashion.

Because the single best thing we can do for tourism businesses is assure that their customers return we cannot afford delay. We need federal assistance in combination with state resources to get this job done. The request is less than the cost of one day of fire fighting.

We cannot make a better investment in our tourism future.

U.S. AFFAIRS

Yellowstone: Up in Smoke

# 灰になる広大な原生林

## 猛威振るうイエローストーンの山火事

FR
TO
NF
MN
HI
CN

巨大な自然のエネルギーによって生み出された山火事は、人間の力をもってはどうしようもない。しかし、それは自然におけるサイクルの一部だという議論もあり、必ずしも嘆き悲しむことはないのかもしれない。

イエローストーン国立公園の消防隊員八〇人が鎮火に成功したように見えたのもつかの間、耳をつんざくような轟音とともに、目の前の山腹全体から炎が吹き上がる。

先週、この国立公園最大の集落の一つキャニオンに火の手が迫った。ここは丸太造りの家が集まる風光明媚な場所で、火から三㌔以上離れていたため安全とみられていたのだ。

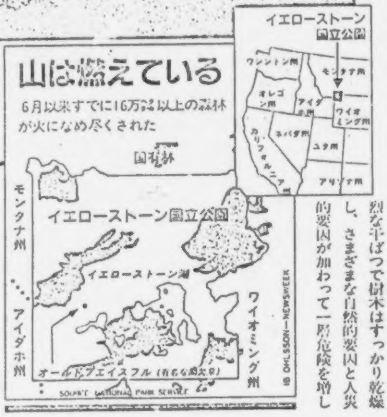
風にあおられ空を焦がす六〇㍍もの炎が、この村の正面の草原をのみ込んでいく。前日に公園当局が避難命令を出した地点に八〇〇㍍足らずのところまで、炎が押し寄せた。

イエローストーン国立公園園長ロバート・バービーは言う。「二週間前には山火事ははるか遠かったのに、今やキャニオンを焼き尽くしてまだ勢いが衰えない」

夏の初めから、イエローストーンでは一六万㌶以上の森林が灰になった。ここ数世紀で最悪の事態だ。猛烈な干ばつで樹木はすっかり乾燥し、さまざまな自然的要因と人災的要因が加わって一層危険を増していた。七月に発生したノースフォークの山火事では約四万六〇〇〇㌶が焼失したが、不注意なたばこの投げ捨てが原因である。

六月以来、消火に動員された消防隊員は四〇〇〇人。農務省林野局の特別消火チームが、新たに発生した火事を消しとめようと危険地域にパラシュート降下し、地上では数千人の作業員が木を切り倒して防火帯をつくった。ヘリコプターは四五〇〇㌧の水の爆弾を投下、飛行機は延焼防止剤を散布した。

それでも火はいっこうに衰えず、本来なら澄み切っているはずの空気は煙とすすで汚れている。当局も、この火事が間もなく鎮火するとは思っていない。カリフォルニアから来た特別消火チームのジェス・マラットは肩を落として言う。「これ以上、打つ手はあまりない」



山は燃えている

6月以来すでに16万㌶以上の森林が火になめ尽くされた

SOURCE: NATIONAL PARK SERVICE

© OHLSSON—NEWSWEEK

### これも自然のサイクル

この山火事を契機に、環境保護論者の間でアメリカの自然をどう保護すべきかという議論が巻き起こっている。今世紀に入ってから、公園管理局はほぼ一貫して自然火災を消す方針をとってきた。しかし、このために潅木が繁殖し危険になったと科学者は考えている。

公園管理局は、今でも人が起こした火事はできるだけ早く消そうとしているが、イエローストーンでは一九七二年以来、落雷などによる自然火災は、人命や私有財産をおびやかさないかぎり放置されている。

山火事は最もひどい状態の植物相を一掃することが多く、現実には植物の生長を促す、とする有力な生態学者も少なくない。「山火事も公園の生態サイクルの一部。一つのライフサイクルの終わりであり、新たなライフサイクルの始まりなのだ」と、イエローストーンの主任研究員ジョン・バーリーは言う。

また野生動物にとっても、火事は災難であると同時に恩恵をもたらすという。動物は山火事に非常によく適応し、本能的にそこから逃げ出す。火事の後、新しい健康な草木が生えてくれば、その土地は再びシカやクマが生息する地となるというわけだ。森林が火事で生まれ変われば、究極的には絶滅に瀕している種の保存を助けることになるかもしれないと、バーリーは言う。

森林火災が非常に多く発生していることを背景に「自然の自律調整」論に対する批判もある。自然に任せる方針は、明らかに裏目に出たというのだ。オルストン・チェイスは一九八六年に著した『プレイング・ゴッド・イン・イエローストーン』という本の中で、年間二六〇万人もの観光客が訪れるこの公園を、独立した生態系として扱うことに無理があると主張している。

そうしているうちにも、先週末には一〇件の山火事が起こった。先週のモンタナ州の山火事は、陸軍では爆発の危険はないとしているものの、核ミサイル貯蔵庫まで一㌔というところまで迫った。

消防隊にできることは、ほとんど残されていない。火事を人家に近づけないことと、あとは山ごいをすることぐらいのものである。

新

Senator Baucus. John, just a little more detail, what is the message going to be and what precisely are you going to point to encourage people to come to Yellowstone not only this year to satisfy curiosity, but next year and the year beyond that so they keep coming back.

Mr. Wilson. That message is evolving. Right now we are going in and assessing the damage in the park. We have to be honest about what we say about the park. So we are not sure exactly how much damage and what we can say.

On the other side, we are not sure what the perceptions are out there in the world. What does the guy in Des Moines think happened in Yellowstone? We have undertaken already a polling of vacation planners in our prime markets to get a sense of where their perceptions are so we will match what their perceptions are with the reality of what the park is, and put that message together.

I think it is a positive message at this point of rejuvenation and you get a chance to see something that is nature, you know, in its boldest. And it is even more of a reason to come and see, and do not forget that Glacier and Grand Teton and all the other great things are here as well.

Senator Baucus. Do any of you have any reactions to some of the questions I asked the earlier panel or statements that other panelists made that you would like to address?

Mr. Wilson. Well you asked a question earlier, are the programs that are in place, SBA and whatever, do they cover what you need. And we are not aware of any program in place that would cover the kind of marketing monies that we want.

Senator Baucus. I think that is right.

Gary, Cal.

Mr. Dunbar. The thing that I think the people around West Yellowstone are concerned with is timing. This is now.

Senator Baucus. Well that is particularly true of some livestock operators, they need feed.

Mr. Dunbar. Yes. But as far as this tourism situation is concerned, we do not have any agriculture there really like we are talking about, but the matter of timing on this because of your advance booking situation and because the people start planning—timing. They said be sure and tell him that we need it now, to start planning for the next few years right away.

Senator Baucus. Gary.

Mr. Spaeth. Yes, I think the timing is also an extremely important item here, both as to the fall—outfitters timing—it has probably passed them by, as far as the travel season we have some time. I think this has to be distinguished from say other disasters, as Mr. Wilson pointed out. Promotion is part of the business. That has never been devastated quite like we have been devastated maybe in some other places, I do not know.

But other disasters are more oriented toward what nature has caused, this is not necessarily a natural caused disaster as much as it is a governmental policy impact problem, and I think that that has to be approached differently. Low-interest loans are important in getting people on their feet from natural disasters, but I am not sure what the Government's responsibility is to get people back on their feet. Supposedly Yellowstone Park will be benefited over the long haul by what has happened there. That will be helpful to us, but in the area of tort law, as you may well know, Senator, when somebody receives a benefit because of their actions and somebody is damaged by it, the other person is generally required to put that person in as much of a whole position as possible. And we do not have programs——

Senator **Baucus**. Just one other question here. As I mentioned earlier, Mr. Kulik from the SBA and Assistant Secretary Dunlop from the USDA are our next panelists. Do you have any questions that you would like to ask of them, any points you would like to make?

Mr. **Spaeth**. The one question that I get asked of me and maybe it is already answered, but I do not know the answer and obviously a lot of my people do not know the answer. Can the people in my area qualify for SBA type loans, when can they qualify, what is the time limit. Those are the sort of things that I—I have given them numbers to call, but that might be something that they should address.

Senator **Baucus**. OK.

Mr. **Dunbar**. One thing I think that is very important on this, we—at the request of the people in the area and the informational situation that we had and the lines of communication in an area where you are not on panic, but you are concerned about it, as you know after you left there, we set up conferences. We had daily conferences, which I understand they are going to terminate this weekend because—and they have been well attended.

Senator **Baucus**. So they worked then?

Mr. **Dunbar**. They worked.

Senator **Baucus**. Good, glad to hear that.

Mr. **Dunbar**. This is the one source where the people can go other than the news media, because the news media they depend on to——

Senator **Baucus**. I am glad to hear that.

Mr. **Dunbar**. That has been working, and you have a direct one-on-one contact with the Incident Commander, the people from the Area Fire Command. I think that the important thing about this SBA situation is that if we are going to do anything on this, we have to get to where the people are. The service has got to get to where the people are and you have got to have the people down there on the ground. And I think that our experience on this informational situation in West Yellowstone in keeping a cool and a well-informed citizenry around there, it still goes on in the post-fire period.

Senator **Baucus**. Thank you all very much, I appreciate it.

Our final panel is Mr. Bernard Kulik, the SBA's Deputy Associate Administrator for Disaster Assistance, as well as the Honorable George Dunlop, Assistant Secretary for Special Services, U.S. Department of Agriculture.

## STATEMENT OF BERNARD KULIK, DEPUTY ASSOCIATE ADMINISTRATOR FOR DISASTER ASSISTANCE, U.S. SMALL BUSINESS ADMINISTRATION, WASHINGTON, DC

Mr. **Kulik**. Thank you, Mr. Chairman.

Senator Baucus. You have heard from all these folks that need help. What can the SBA do?

Mr. Kulik. One of the advantages of speaking last or at least on the last panel is that we do get a chance to answer the questions or make comments on things that have been said before.

I would like to submit for the record our statement, Mr. Chairman, and just highlight some of the portions. But before I do that, I would like to make a few comments on what has been said before.

First, in connection with the efforts to sell the Yellowstone story now to tourists——

Senator Baucus. Could you pull that microphone a little closer please to make sure people can hear? Thank you.

Mr. Kulik [continuing]. With the effort to sell the Yellowstone story—for the first time yesterday, I visited Yellowstone to see the damage that was done. And I would like to say as a first-time visitor I found Yellowstone absolutely awe inspiring. I think there is a very good story to sell, even with fire damage, and I think nobody who has any plans to come to Yellowstone should let those plans be in any way changed because of the fire.

Second, somebody talked about planting trees, perhaps a campaign to plant seedlings in Yellowstone. I think that is an excellent idea. Personally—I have got to add if the price is reasonable—I would like to be among the first to plant a seedling, to sponsor one in Yellowstone. I think that could be sold as part of the tourist effort in terms of perhaps even those who have visited in the past, help bring Yellowstone back to where it was by planting a seedling.

Senator Baucus. So we don't fall in the trap that the Governor of New Jersey did when he tried to bring back New Jersey fishing. They did not do too well there.

Mr. Kulik. That is why I said if the price is reasonable.

I would even invite, as one of the last panelists said, I would invite Mr. Paul Harvey to plant the first seedling.

Senator Baucus. That is a good idea.

Mr. Kulik. And the third comment I have to make is SBA had nothing to do with the "let burn" policy. [Laughter.]

With specific reference, sir, to the programs that we have to offer, after hearing the testimony this morning, particularly that of Governor Schwinden, it is quite obvious that probably the most appropriate of our programs would be the Economic Injury Disaster Loan Program. For those who have picked up copies of my statement, we do have a pamphlet attached to the statement that explains what the Economic Injury Program is and what it does, and answers some of the questions that are most frequently asked.

However, I have to say that is a limited one. First, it is available only to small businesses without credit available elsewhere. And to explain that, I have to say that the fact that you were or were not turned down by a bank is irrelevant. We determine, based on the information in the application, whether you have credit available elsewhere. The program is also open to small agricultural co-ops without credit available elsewhere, which in this case is probably not appropriate.

The interest rate for small businesses is 4 percent. These loans are for the purpose of supplying working capital and the current portion of debt necessary to tide the business over until it can recover from the specific disaster. It can only consider needs that cannot be met as a direct result of the specific disaster. These loans are not merely to replace lost sales or reduced profits; they are available if the business is unable to meet its ordinary and necessary business expenses and pay its debts as they mature. They are not a cure-all for the economic ills of a business that is suffering as a result of problems other than the specific declared disaster. As I said, sir, the details of the program and its limitations are set forth in this brochure.

I must emphasize also that it is a loan program and before a loan can be approved, we must find that there is a reasonable assurance that the loan will be repaid. It has to be remembered that these loans constitute an additional debt burden on a business merely to return it to the position that it occupied before the disaster. There is no additional return on investment for this additional debt. And very often, we are faced with businesses that have been running near the edge on profitability and just cannot make it with the additional debt burden that these loans would involve. Our experience indicates that Economic Injury Disaster Loans have the lowest approval rate of our disaster loans and unfortunately the highest failure rate for those loans that are approved.

A question was raised before about people being on site when disaster assistance is to be given. When a disaster is declared, we will bring people on site for as long as is necessary. The program is implemented by a staff of specialists that handle nothing but disaster loans. For this area, they are based in Sacramento but they will be on site. If we declare it, we will either open a temporary office in the disaster area or ride a circuit of the disaster counties, whichever is more appropriate. At all times, our Sacramento office can be reached by an 800 toll-free telephone number.

Just as an example, as I am sure you are aware, Mr. Chairman, we are currently involved in a drought disaster designation that was issued by the Secretary of Agriculture covering 41 Montana counties. We will have three teams riding circuits in the State starting this Monday, the 26th. The presence of these teams has been noted in the local media and Congressional offices, including yours, and State offices have been very helpful in getting the word out to all those who may have an interest in the program. Our staff will interview each prospective applicant, they will explain the program, talk about eligibility matters and limitations and the application itself.

Although I did say we are not responsible for the "let burn" policy, we are responsible for the paperwork in loan applications. What I have to say in that connection, is that although the application may seem lengthy, remember that we are in the position of a lender that does not know anything about you, the prospective borrower and we must take the same steps that any reasonably prudent lender would to satisfy itself that the requirements can be met and that there is a reasonable assurance of repayment ability.

We are ready to consider a request for a disaster declaration from the Governor and from the Governor of Wyoming, and should one be made and if a declaration is issued, we are ready to provide the benefits of these loan programs to anyone who qualifies for them.

I will be happy to answer any questions.

Senator BAUCUS. Thank you, Mr. Kulik.

[The prepared statement of Mr. Kulik follows:]

SBA U.S. Small Business Administration Washington, DC 20416

# STATEMENT OF
# BERNARD KULIK
# DEPUTY ASSOCIATE ADMINISTRATOR
# FOR DISASTER ASSISTANCE
# U. S. SMALL BUSINESS ADMINISTRATION
# BEFORE THE
# SUBCOMMITTEE ON RURAL ECONOMY AND FAMILY FARMING
# COMMITTEE ON SMALL BUSINESS
# UNITED STATES SENATE
# SEPTEMBER 24, 1988

Mr. Chairman and Members of the Subcommittee:

I am pleased to have this opportunity to discuss with you the Small Business Administration's (SBA) disaster assistance program as it relates to the recent forest fires in Yellowstone National Park and the surrounding forests. SBA has two disaster assistance loan programs, one for physical disasters and one for economic injury disasters (EIDL). Both programs require a declaration of a disaster area to become available.

## Disaster Declarations

To make physical disaster loans, either the President must determine that a Major disaster exists that requires assistance for individuals from the Federal government or the Administrator of SBA must determine that a physical disaster has occurred that requires SBA loan assistance. If the Administrator issues the physical disaster declaration, only the SBA disaster loan assistance programs (both physical and EIDL) are made available. If the President issues the declaration, the SBA assistance programs and other assistance programs operated by other Federal agencies may be included.

A request for a major disaster declaration by the President must originate in the Governor's office. The request is made to the Federal Emergency Management Agency (FEMA) Regional Office in Denver and is handled by that Agency in accordance with their standard procedures. A request for an SBA declaration is also originated by the Governor in the form of a letter to the SBA Regional Administrator (Denver). SBA's criteria for a declaration is 25 or more homes or businesses in a county or smaller subdivision each having suffered at least 40 percent uninsured damage. On receipt of the letter, from the Governor, SBA will send a survey team to determine if the criteria have been met. The survey report is forwarded to the Administrator and a decision is made and communicated to the Governor. This process usually takes less than 5 working days, depending on the size of the area to be surveyed. If a physical disaster declaration is issued, it covers economic injury also.

In certain circumstances, EIDLs are made available without a physical disaster declaration. In the event of a declaration of a natural disaster by the Secretary of Agriculture that enables the Farmers Home Administration to make its disaster loans available to farmers, SBA makes EIDLs available for those that have suffered substantial economic injury as the result of the crop loss to the farmers. Generally, this covers agri-dependent businesses; such as, farm implement dealers, contract harvesters, seed and fertilizer dealers, etc. However, it does not cover non agri-dependent business that have suffered economic injury. In fact, there are now two EIDL designations in Montana as the result of Secretary of Agriculture declarations for droughts in 1987 and 1988.

In addition to these three methods, the Administrator of SBA may issue an EIDL designation in the event of a physical disaster that did not result in a physical declaration by the President, the Secretary of Agriculture or the SBA Administrator. In these cases, which usually arise when the physical disaster does not meet the damage criteria stated above, the Governor may certify to SBA that at least five small business concerns in the state have suffered substantial economic injury as a result of the disaster to such a degree as to warrant Federal involvement in the form of subsidized loans and are in need of financial assistance which is not otherwise available on reasonable terms in the disaster area. The Governor's certification, specifying the counties within which the disaster occurred, and supporting documentation is sent to the SBA Regional Administrator (Denver).

## Physical Disaster Loan Program

This program permits SBA to make loans to help disaster victims to repair and replace physical property that they lost in the disaster. These loans are available to individual homeowners, renters, small businesses, large businesses and non-profit organizations. These are long term, low interest (subsidized) loans. Currently, the interest rates for individuals and businesses are 4 percent or 8 percent depending on whether the applicant has credit available elsewhere, and the interest rate for non-profit organizations is 9 percent. The details of these loans and their limitations are more fully set forth in the two physical loan pamphlets and the fact sheet that are attached to this testimony.

## Economic Injury Disaster Loan Program

The EIDL program is a much more limited one. It is available only to small businesses without credit available elsewhere and small agricultural co-ops without credit available elsewhere. The interest rate for small businesses is 4 percent; the interest rate for small agricultural co-ops is 9 percent. These loans are limited to supplying working capital and the current portion of debts necessary to tide the business over until it can recover from the specific disaster. It can only consider needs that cannot be met as a direct result of the specific disaster. These loans are not merely to replace lost sales or reduced profits; they are available if the business is unable to meet its ordinary and necessary business expenses and pay its debts as they mature. They are not a cure all for the economic ills of a business that is suffering as the result of problems other than the specific declared disaster. Further details of the program and its limitations are set forth in the brochure entitled Economic Injury Disaster Loans that is attached to this testimony.

While I don't mean to sound negative about the EIDL program, I must emphasize that it, as well as the physical disaster loan program, is a loan program and before a loan can be approved, we must find that there is a reasonable assurance that the loan will be repaid. Remember, these loans constitute an additional debt burden on a business merely to return it to the position that it occupied before the disaster. There is no additional return on investment for this additional debt. Very often, we are faced with businesses that have been running near the edge on profitability and just cannot make it with the additional burden of this debt. Our experience indicates that EIDLs have the lowest approval rate of disaster loans and, unfortunately, the highest failure rate.

## Procedure

When a disaster is declared, SBA brings its assistance to the disaster site. The disaster program is implemented by a staff of specialists who handle nothing but disaster loans. Although they are located in Sacramento, they will be on site for as long as is necessary. If the disaster is a Presidential one, FEMA will open Disaster Application Centers (DACs) which will be staffed by representatives of all Federal disaster programs, including SBA. If the disaster is an SBA one, we will open a temporary office in the disaster area or ride a circuit of the disaster counties, as appropriate. At all times, we can be reached in Sacramento by an 800 telephone number (1-800-468-1710).

For example, the current drought disaster designation in Montana by the Secretary of Agriculture covers 41 counties. We will have three teams riding circuits in the State starting this Monday, the 26th. The teams will visit eleven different cities in approximately the next ten days. Their presence has been noted in the local media. Congressional and State offices have been very helpful in getting the word out to all those who may have an interest in the program. Our staff will interview each prospective applicant to explain the program, eligibility matters and limitations, and the application itself. Although the application may seem lengthy, remember that we are in the position of a lender that does not know anything about you, the prospective borrower, and we must take the same steps that any reasonably prudent lender would to satisfy itself that our requirements are met and that there is a reasonable assurance of repayment ability.

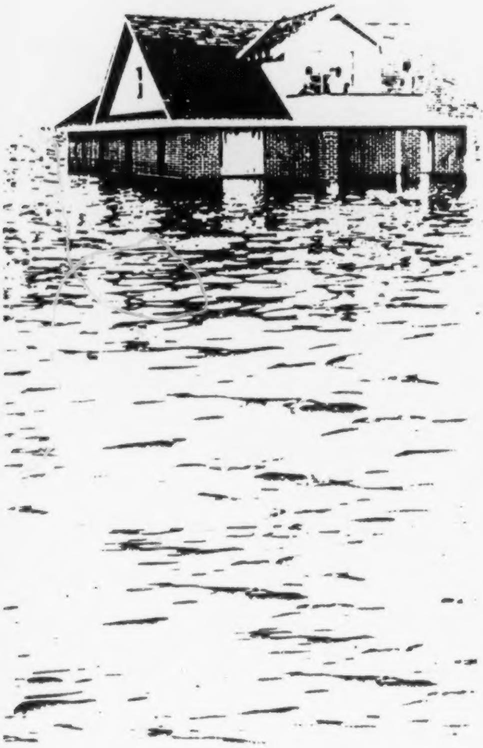
Finally, Mr. Chairman, let me say that we are ready to consider a request for a disaster declaration, should one be made; and, if a declaration is issued, we are ready to provide the benefits of the two disaster loan programs to those who qualify eligible for them.

I would be happy to answer any questions you may have.

SBA

# Disaster Loans for Homes and Personal Property

U.S. Small Business Administration



The **U.S. Small Business Administration** (SBA) was created by Congress in 1953. At that time Congress issued a mandate to the Agency to provide financial assistance to victims of disasters.

However, do not let the name, **"U.S. Small Business Administration,"** confuse you. As a homeowner or a person who is renting, you may apply to SBA for a loan to help you recover from this disaster. The information contained in this brochure is designed to provide you with as much information as possible to make it easier for you to apply for a loan.

## Type of Loans Available

As a homeowner, there is one basic loan, with two purposes, available to you:

**Personal Property Loan:** This is limited to $20,000 and is meant to help you repair or replace the personal property you lost in the disaster, such as clothing, furniture, automobiles, etc. As a rule of thumb, personal property is anything which is not considered real estate or a part of the actual structure. This loan may not be used to replace extraordinarily expensive or irreplaceable items, such as antiques, collections, pleasure boats, recreational vehicles, fur coats, etc.

**Real Property Loan:** Homeowners may apply for a loan of up to $100,000 to repair or restore their primary home to its *pre-disaster condition.* The loan may not be used to upgrade the home or make additions to it. However, in the event that city or county building codes require structural improvements, the loan may be used to comply with these requirements.

**Note:** A renter may apply only for a personal property loan.

**Insurance Proceeds:** If you have insurance coverage on your personal property/home, the amount you will receive from the insurance company will be deducted from the total damage to your property in order to determine the amount for which you are eligible to apply to SBA.

If you are *required* to apply insurance proceeds against an outstanding mortgage, the amount applied can be included in your disaster loan. But, if you *voluntarily* apply insurance proceeds against an outstanding mortgage, the amount applied cannot be included in your disaster loan.

If you have not made settlement or are having trouble reaching an agreement with your insurance company, then you may apply for a loan in the full amount of your damages and give SBA an assignment on any insurance proceeds to be received.

**Interest Rates on Loans:** The law requires a test of your ability to obtain funds elsewhere in order to determine the rate of interest which will be charged on your loan. This "credit elsewhere" test also applies to applicants for personal property loans.

**Applicants Determined to be Able to Obtain Credit Elsewhere:** The interest rate to be charged is based on the cost of money to the United States Government, but will not be more than 8 percent per year.

**Applicants Determined to be Unable to Obtain Credit Elsewhere:** The interest rate to be charged will be one-half (½) of the interest rate mentioned above, but will not be more than 4 percent per year.

**Term of Loan:** The maximum maturity, or repayment term of an SBA loan, is set at 30 years. However, the SBA will determine on a case-by-case basis how long you will have to repay the loan, based on your ability to repay.

## Frequently Asked Questions About SBA Loans

**Q. How much can I borrow?**

A. The amount of money which SBA will lend to you will be based upon the actual cost of repairing your damaged home and/or personal property or replacing your destroyed home and/or personal property, minus any insurance settlements or other reimbursements or grants. The total loan amount is subject to the limits set out above.

**Q. Must I use my own money or try to borrow from a bank before coming to SBA?**

No.

**Q. I already have a mortgage on my home. I can't afford a disaster loan plus my current mortgage payment? Can SBA refinance my mortgage?**

A. In certain cases, yes. In order to be eligible for refinancing of a mortgage, SBA must determine **(a)** that you are unable to obtain credit elsewhere, **(b)** that your property has been destroyed or substantially damaged, and the property will be repaired or replaced, and **(c)** that the amount to be refinanced will not exceed the amount of the real estate damage. An SBA loan officer can provide you with more detailed information on your specific situation.

**Q. What information do I need to submit for a home and/or personal property loan?**

A. The necessary information is specified in the loan application. In all cases, it includes an itemized list of personal property losses with repair or replacement costs of each item. It also includes a copy of your last two years' Federal income tax returns. If you have pictures of the damaged property, these also are helpful.

**Q. Will SBA check the losses I claim?**

A. Yes. Once you have returned your loan application, an SBA loss verifier will visit you to determine the extent of the damage and the reasonableness of the loan request.

**Q. How soon will I know if I will get a loan?**

A. That depends on how soon you file a complete SBA loan application. The SBA disaster relief program is not an immediate, emergency relief program such as Red Cross assistance, temporary housing assistance, etc. It is a loan program to help you in your long-term rebuilding and repairing. As a loan program, we have to know the cost of repairing the damage, be satisfied that you can repay the loan, and take reasonable safeguards to help make sure the loan is repaid. The SBA loan application asks for the *information we need.* The faster you can return it to us, *with all the needed information,* the faster we can work on it. We try to get all applications processed through to a decision not later than 60 days after they are filed. The ones that are filed early can be completed in a much shorter time. Applications are processed in the order received, so it is in your interest to file early. *Be sure your application is complete because missing information is the biggest cause of delay.*

**Q. How soon can I expect the money?**

A. Loans over $5,000 have to be secured. We won't decline a loan just because you do not have enough collateral, but we do ask for whatever collateral is available. This means that after a loan is approved there are other steps that your have to take. Usually, the security consists of a first or second mortgage on the damaged real estate. After we approve the loan we will tell you what has to be done (these are the loan closing documents, just like in any other secured loan). When the loan closing documents are returned to us, we can order the checks. Because these are subsidized loans, we will not give you all the money at once; we will give it to you in installments, as you use it to repair or replace the damage.

**Q. Should I wait for my insurance settlement before I apply to SBA?**

A. No. If you do not know how much of your loss will be covered by insurance or other sources, SBA will consider making a loan for the full amount of the loss, *provided* that you will assign the insurance check to SBA in order to lower the amount of the SBA loan. However, total funds advanced by SBA to restore real property may not exceed $100,000 under any circumstances

**Q. I would like to get a contractor's estimate for the cost of repairing damage to my home, but I'm having trouble finding one. Should I hold up my application until I get the estimate?**

A. No, because you might miss the deadline for filing your application just because you are waiting for a contractor's estimate. If you have one, include it. SBA will verify any damage estimates listed on your loan application. Also, the sooner you file a completed application the sooner it can be processed by SBA.

**Q. If I receive a disaster loan, may I spend the money any way I want?**

A. No. The disaster loan is intended to help you return your property to the same condition it was in before the disaster. Your loan will be made for specific and designated purposes. Remember that the penalty for misusing disaster funds is *immediate repayment of 1½ times the original amount of the loan.* SBA requires that you obtain receipts and maintain good records of all loan expenditures as you restore your damaged property and keep these receipts and records for three years.

**Q. If my home is completely destroyed, can SBA lend me money to relocate my home somewhere else?**

A. If you are unable to obtain a building permit to rebuild your home or replace it at its original site, the cost of relocating your home might be included in the loan amount. But, if you decide to relocate your home without being required to, an SBA loan can be obtained only for the exact amount of the damage.

**Q. I am a farmer. My home was damaged, and so were my barns, fences, and some of my crops. Am I eligible to apply for SBA assistance?**

A. You may apply to SBA for a loan to cover the damage to your home and its contents only. However, it may be in your interest to seek assistance first from the Farmers Home Administration for all your damage.

**Q. Are secondary homes or vacation homes eligible for loans?**

A. No, not as homes. They may be eligible for business disaster loans under certain conditions.

**Q. Are there any other limitations?**

A. Yes. Generally, loans will not be made for damage to personal pleasure boats, planes, recreational vehicles, antiques, collections, etc. Also, amounts for landscaping, family swimming pools, etc. are limited.

**Q. Is there a minimum monthly payment, and when would the first payment be due?**

A. SBA does not have a minimum monthly payment. Payments vary depending upon income and expenses, size of family, and other circumstances that may affect your repayment ability. Generally, the first payment is not due until five months after the date of the loan.

**Q. I had to remove debris from my property after the disaster. Can this expense be included in my loan application?**

A. Yes, but your own labor and that of family members cannot be included. Amounts paid to others and any equipment rental can be listed as part of repairs to real estate. Remember that the maximum loan limit on real estate damage is $100,000, and debris removal is included in the limit.

**Q. May people over the age of 65 apply for help from SBA?**

A. Yes. Loans are made without regard to age.

**Q. I've heard that SBA loan applications are complicated and hard to complete. Is this true?**

A. No. The application form asks you the same information that a bank would ask you if you went to a banker to borrow money. If you need help, SBA personnel are available to explain the forms and give you assistance *at no charge.* You may use the services of an accountant or attorney if you wish, but be sure they are reliable and that their fees are reasonable. If you choose to use an attorney or an accountant, you must report their fees on your SBA loan application form.

**Q. Are damages to cars and mobile homes eligible?**

A. Generally, yes. The loan would be only for uninsured losses.

**Q. Do I need flood insurance to get a loan?**

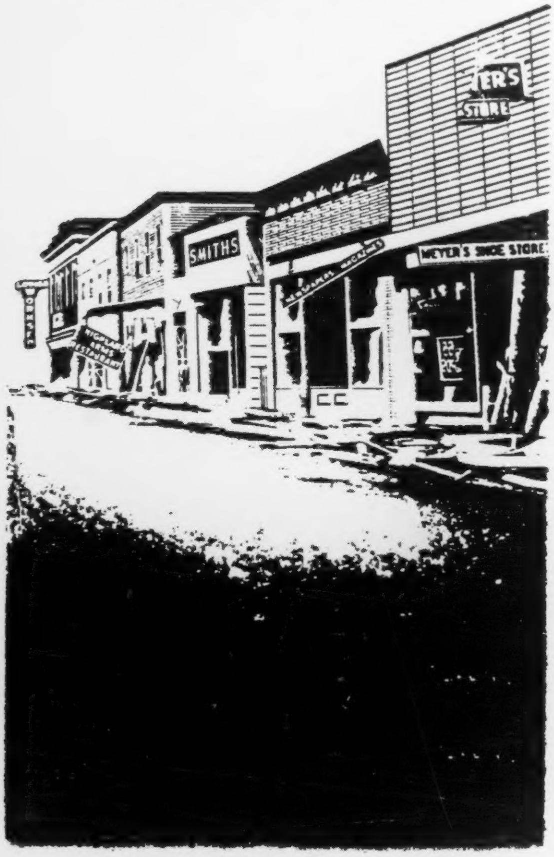
A. If you are in a special flood hazard area, you must have flood insurance before we can disburse a loan. The amount of insurance required is the insurable value of the property in the special flood hazard area but not to exceed the maximum flood insurance available under the National Flood Insurance Act.

**U.S. Small Business Administration**
Disaster Assistance Division

SBA

# Physical Disaster Business Loans

U.S. Small Business Administration



**The U.S. Small Business Administration** is authorized to make loans up to $500,000 to a business of any size to repair or replace the business' property to its pre-disaster condition. Repair or replacement of real property, machinery, equipment, fixtures, inventory, and leasehold improvements may be included in a loan.

Any business located in a declared disaster area which has suffered damage as a result of a physical disaster is eligible to apply for a physical disaster loan to help repair or replace damaged property to its *pre-disaster condition.*

SBA loans will cover uninsured physical damage. If you are *required* to apply insurance proceeds to an outstanding mortgage on the damaged property, the amount applied can be included in your disaster loan.

The interest rate which the Agency charges on its disaster loans is determined by your ability to obtain "credit elsewhere," that is, from non-Federal sources.

### Unable to Obtain Credit Elsewhere

If SBA determines that the business is unable to obtain credit elsewhere (considering the cash flow and assets of the business, its principals, and affiliates), the interest rate which will be charged on a loan will not exceed 4 percent per year.

The maximum maturity for such business disaster loans is 30 years. However, the actual maturity of a loan is set depending upon the ability of the business to repay the loan.

### Able to Obtain Credit Elsewhere

If SBA determines that the business does have the ability to obtain credit elsewhere, the Agency can make a loan at an interest rate which will not exceed that being charged in the private market at the time of the physical disaster or 8 percent, which ever is less. The maturity of this loan *may not exceed three (3) years.*

**Note:** Charitable, religious, nonprofit and similar organizations, although not classified by SBA as businesses, are eligible for physical disaster loans for up to 30 years at an interest rate based upon a different statutory formula. The nearest SBA Disaster Office can supply you with the interest rate.

## Questions and Answers about Physical Disaster Loans to Businesses

**Q. Iv'e heard that SBA loan applications are complicated and hard to complete. Is this true?**

A. No. The application form asks you for the same information about the business and its substantial owners and managers as that generally required for a bank loan. If you need help, SBA personnel are available to explain the forms and give you assistance *at no charge*. You may use the services of an accountant or attorney if you wish, but be sure they are reliable and that their fees are reasonable. You must report the use of an accountant and/or an attorney and their fees on your loan application.

**Q. If I receive a disaster loan, may I spend the money any way I want?**

A. No. The disaster loan is intended to help you return your property to the condition it was in before the disaster. Your loan will be made for specific and designated purposes. Remember that the penalty for misusing disaster funds is *immediate repayment of 1½ times the original amount of the loan.* SBA requires that you obtain receipts and maintain good records of all loan expenditures as you restore your damaged property, and keep these receipts and records for three years.

**Q. I already have a mortgage on my business. Can SBA refinance my mortgage?**

A. In certain cases, yes. To be eligible for SBA refinancing, (1) the property has to have been destroyed or substantially damaged, (2) SBA must determine that the business is unable to obtain credit elsewhere, (3) the amount of refinancing cannot exceed the actual amount of damage, and (4) the amount shall be reduced to the extent such mortgage or lien is satisfied by insurance or otherwise. An SBA loan officer can provide you with more detailed information on your specific situation.

**Q. Is collateral required for these loans?**

Loans of $5,000 or less normally require the signature of the owner(s) of the property. Loans in excess of $5,000 require the pledging of collateral to the extent it is available. Normally the collateral would consist of a first or second mortgage on the damaged business property. In addition, personal guarantees by the principals of a business are required. No loan will be declined for lack of collateral, but you must pledge that collateral which is available.

**Q. How soon will I know if I will get a loan?**

A. That depends on how soon the business files a complete SBA loan application. As a loan program, we have to know the cost of repairing the damage, be satisfied that the business can repay the loan out of the operations of the business, and take reasonable safeguards to help make sure the loan is repaid. The SBA loan application asks for the information we need. The faster you can return it to us, with all the needed information, the faster we can work on it. We try to get all applications processed through to a decision not later than 60 days after they are filed. The ones that are filed early can be completed in a much short time. Applications are processed in the order received, so it is in your interest to file early. *Be sure your application is complete because missing information is the biggest cause of delay.*

**Q. How soon can I expect the money?**

A. Because loans over $5,000 have to be secured, after a loan is approved there are other steps that you have to take. Usually, the security consists of a first or second mortgage on the damaged business property and personal guarantees. After we approve the loan we will tell you what has to be done (these are the loan closing documents, just like in any other secured loan). When the loan closing documents are returned to us, we can order the checks. Because these are subsidized loans, we will not give you all the money at once; we will give it to you in installments, as you use it to repair or replace the damage.

**Q. Will SBA check the losses I claim?**

A. Yes. Once you have returned your loan application, an SBA loss verifier will visit you to determine the extent of the damage and the reasonableness of the loan request.

**Q. What information do I need to help me complete the loan application form?**

A. Necessary information is specified in the loan application and includes: (1) an itemized list of losses with your estimate of the repair or replacement cost of each item, (2) copies of your last three years' Federal income tax returns, (3) a copy of your deed, mortgage, lease or rental agreement, (4) a brief history of the business, and (5) personal and business financial statements. A contractor's estimate for repairing structural damage may be desirable, but you may make your own cost estimate, if you wish. Remember to sign and date each part of the application; it cannot be processed if you omit any form that requires your signature.

**Q. How may I use the SBA disaster loan?**

A. The loan is intended to help you restore your property as nearly as possible to its pre-disaster condition. Normally, SBA funds cannot be used to expand or upgrade a business. But, in the event that city or county building codes require such upgrading, SBA loans may be used for that purpose.

**Q. I had to remove debris from my property after the disaster. Can this expense be included in my loan application?**

A. Yes, but your own labor and that of family members cannot be included. Amounts paid to others and any equipment rental can be listed as part of repairs to real estate. Remember that the maximum loan limit on physical damage is $500,000, and debris removal is included in that limit.

**Q. I am a farmer. Am I eligible to apply for SBA assistance for damage to my farm?**

A. No, not for damage to farms. however, you may apply to SBA only for a loan to cover the damage to your home and its contents. It may be in your interest to seek assistance first from the Farmers Home Administration.

**Q. I would like to get a contractor's estimate for the cost of repairing damage to my business, but I'm having difficulty in finding a contractor. Should I hold up my application until I get the estimate?**

A. No, because you might miss the deadline for filing your application by waiting for a contractor's estimate. If you have one, include it. SBA will verify the damage estimate in your application. The sooner you file a completed application, the faster it can be processed by SBA.

**Q. Should I wait for my insurance settlement before I file my loan application?**

A. No. The application may be returned to SBA now, and final insurance information added when a settlement is made. A loan may be approved for the total replacement cost, but the insurance proceeds must be assigned to SBA. Don't miss the filing deadline by waiting for an insurance settlement.

**Q. Must I use my own money or try to borrow from a bank before I come to SBA?**

A. No. The resources of the business and its principals will be considered in determining the ability for the business to obtain credit elsewhere.

**Q. If my business is completely destroyed, can SBA lend me money to relocate my business?**

A. Yes. In certain circumstances, limited relocation costs can be included in the loan amount. Whenever relocation is involved, you should contact the SBA disaster office before making any commitments.

**Q. Besides the damage to my property, my business suffered economically as a result of the disaster. Do SBA loans cover these economic losses also?**

A. Yes they do, but only if you and your business do not have credit available elsewhere and your business qualifies as small as defined by SBA. The same application form is used together with a supplement for the economic injury. However, the maximum the business and any affiliated businesses may borrow for any one disaster for both physical and economic injury combined is limited to $500,000.

**Q. Is flood insurance needed to get a loan?**

A. If the business is in a special flood hazard area, it must have flood insurance before we can disburse a loan.

**U.S. Small Business Administration**
Disaster Assistance Division

DAD-2 May 1986 GPO 156-276 (m)

SBA

# Economic Injury Disaster Loans for Small Businesses

U.S. Small Business Administration

LOUISE
SMITHS
HIGHLAND
ARMS
RESTAURANT

The **U.S. Small Business Administration** (SBA), created by Congress in 1953, was given a mandate to provide financial assistance to victims of disasters.

If as a direct result of a physical disaster, your business has suffered substantial economic injury, with or without actual physical damage, you may be eligible to apply for an **Economic Injury Disaster Loan (EIDL).** Substantial economic injury is the inability of a business to meet its obligations as they mature and to pay its ordinary and necessary operating expenses. These loans, however, are limited to small businesses and to small agricultural cooperatives.

The purpose of the loan is to permit you to meet necessary financial obligations which your business could have met had the disaster not occurred. EIDL's are *working capital* loans and are made only to provide relief from economic injury caused directly by the disaster and to permit you to maintain a reasonable working capital position during the period affected by the disaster.

No EIDL assistance can be made to a business which is determined by SBA to be able to obtain credit elsewhere.

EIDL assistance to businesses is limited to a maximum of $500,000 (together with any business physical disaster loan for damage from the same disaster). However, the actual amount of the loan will be based upon the business' actual economic injury and its financial needs. The interest rate on EIDL's may not exceed 4 percent per year. However, by law the interest rate for small agricultural cooperatives may be substantially, higher than 4 percent.

The term of these loans may not exceed 30 years. However, the actual term will be set depending upon the ability of the business to repay the loan.

## Questions and Answers About Economic Injury Disaster Loans

**Q. How may I use an EIDL loan?**

A. The loan will provide you with operating funds until your business recovers. To the extent you could have made payments had the disaster not occurred, the loan may also be used to make payments on short-term notes, accounts payable, and installment payments on long-term notes.

**Q. How much money may I borrow?**

A. An EIDL can be made for the amount of economic injury and operating needs, but not in excess of what the business could have paid had the disaster not occurred. In determining your eligible amount, SBA will look at **(1)** the total of your debt obligations, **(2)** operating expenses which mature during the period affected by the disaster, plus the amount you need to maintain a reasonable working capital position during that period, and **(3)** expenses you could have met and a working capital position you could have maintained had the disaster not occurred. The amount of your economic injury does not automatically represent the dollar amount of your loan eligibility, but SBA will evaluate the information you provide and determine the reasonableness of your loan request.

**Q. Must I submit a personal financial statement with my loan application?**

A. Yes. SBA must review your financial statement and one for each partner, officer, director and stockholder with 20 percent or more ownership. SBA usually requires business' principals to personally guarantee repayment of the loan and, in some instances, secure the loan by pledging additional collateral.

**Q. Must I sell assets which are not used in my regular business operations before I am eligible for an EIDL?**

A. Availability of such assets will be reviewed by SBA to determine if part or all of your economic injury might be remedied by such sales. The business and its principal owners must use their own resources to overcome the economic injury to the greatest extent possible without causing undue hardship.

**Q. If I can borrow from a bank, am I still eligible for SBA assistance?**

A. Private credit sources must be used as much as possible to overcome the economic injury. SBA can provide EIDL assistance only to the extent the business (and its principals) cannot recover by using its own resources and normal lending channels.

**Q. What are some prohibited uses of an EIDL?**

A. You may not use funds to pay cash dividends or bonuses or for disbursements to owners, partners, officers or stockholders not directly related to the performance of services for the business. SBA will not refinance long-term debts and will not provide working capital which was needed by the business prior to the disaster, and thus is not disaster-related.

**Q. Is collateral required for an Economic Injury Disaster Loan?**

A. Generally, Economic Injury Disaster Loans require the pledging of collateral to the extent available. Occasionally, very small EIDL's may be made on an unsecured basis. However, an EIDL loan will not be declined solely because available collateral will not adequately secure the loan, and a business will not be required to pledge more collateral than is necessary. SBA may decline a loan if a business has collateral available but refuses to pledge it.

**Q. How long will I have to pay off the SBA loan?**

A. Your financial situation will be examined by SBA, and loan terms will be based on your needs and repayment ability. The maximum maturity of disaster loans is 30 years.

**Q. What kind of documentation should I use to show my losses?**

A. You must furnish balance sheets and operating statements for comparative periods of time, so SBA can compare your financial condition and operating results preceding the disaster with those during and since the disaster period. The specific requirements are contained in the EIDL application form.

**Q. If I receive an Economic Injury Disaster Loan, may I spend the loan money any way I want?**

A. No. An Economic Injury Disaster Loan is intended to help you maintain a secure financial condition until your business is back to normal. Your loan will be made for specific and designated purposes. *Remember that the penalty for misusing disaster funds is immediate repayment of 1½ times the original amount of the loan.* SBA requires that you keep receipts and good records of all loan expenditures for three years following receipt of your SBA loan.

**Q. May I expand my business facilities or purchase a new line of inventory with an EIDL?**

A. No.

**Q. If I show SBA that I am not making a profit, is that enough to qualify me for an EIDL?**

A. No. Lack of profit by itself or loss of anticipated sales is not sufficient to establish substantial economic injury. Substantial economic injury occurs only when the business cannot meet current obligations because of the disaster. Indicators of economic injury might be a larger than normal volume of receivables, lower sales volume, slow inventory turnover and development of delinquencies in trade payables, current accruals and debt payments.

**Q. Are religious and non-profit organizations eligible for an EIDL?**

A. No. Only profit-oriented operating small business concerns and small agricultural cooperatives may apply.

**Q. How soon will I know if I will get a loan?**

A. That depends on how soon the business files a complete SBA loan application. We have to be able to calculate the amount of economic injury and the business' working capital and other needs. We have to be satisfied that the business can repay the loan out of its operations, and take reasonable safeguards to help make sure the loan is repaid. The SBA loan application asks for the information we need. The faster you can return it to us, with all the needed information, the faster we can work on it. We try to get all applications processed through to a decision not later than 60 days after they are filed. The ones that are filed early can be completed in a much shorter time. *Be sure your application is complete because missing information is the biggest cause of delay.*

**Q. How soon can I expect the money?**

A. Because loans over $5,000 have to be secured, after a loan is approved we will tell you what has to be done (these are the loan closing documents, just like in any other secured loan). When the loan closing documents are returned to us, we can order the checks. Because these are subsidized loans, we will not give you all the money at once; we will give it to you in installments, as it is needed.

**U.S. Small Business Administration**
Disaster Assistance Division

DAD-3 Ma. 1986 GPO 156-278 (m)

Senator BAUCUS. The next witness is Secretary Dunlop.

## STATEMENT OF HON. GEORGE S. DUNLOP, ASSISTANT SECRETARY FOR SPECIAL SERVICES, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, DC

Mr. DUNLOP. Mr. Chairman, we are grateful to have the opportunity to come and to be invited to testify for the Department of Agriculture. I have with me today Mr. Gary Cargill, who is Regional Forester for the Rocky Mountain Region and Mr. Joe Boyd, who is the State Director of the Farmers' Home Administration for the State of Montana. Perhaps during the questioning period if there are any matters you would like to direct to their attention, they will be available for that.

Senator BAUCUS. Thank you.

Mr. DUNLOP. As you indicated at the outset of the hearing, 13 major fires have burned in the Greater Yellowstone Area and they have consumed approximately 1,630,000 acres. The fire suppression effort has been estimated to cost about $112 million to date. At the height of the fire activity, there were some 10,000 firefighters on these fires, including Army and Marine Corps battalions that were deployed at the direction of the White House. Without question, these fires have constituted a major natural disaster. The fires in the Greater Yellowstone Area and the Western States broke all records for spotting and rates of spread. Never before in recorded fire history have so many acres burned so rapidly.

Cooler weather now and a small amount of rain have helped firefighters gain an upper hand on most of these fires. However, containment is not expected on the North Fork, the Wolf Lake, the Clover/Mist fires until at least mid-October.

The Canyon Creek fire on the Lewis and Clark National Forest, which was contained on September 17, burned over 247,000 acres, with suppression costs totaling approximately $7 million. The 35,000 acre Red Bench fire on the Flathead National Forest is expected to be contained perhaps tomorrow. It has a total cost to date of about $2.5 million.

Now to assure a vigorous recovery effort on the part of the Department of Agriculture, Secretary Lyng has established a high-level interagency task force to expedite USDA responses to requests for assistance from persons affected by these fires. As Assistant Secretary of Agriculture, my office has been designated by the Secretary to chair the Department of Agriculture Fire Economic Recovery Task Force. I am responsible and accountable to the Secretary for the performance of that task force.

Now this task force is made up of officials from six USDA agencies; the Agricultural Stabilization and Conservation Service, the Soil Conservation Service, the Forest Service, the Farmers Home Administration, the Animal and Plant Health Inspection Service, and the Office of General Counsel. This group is now assessing the damage to private lands and businesses, and it is coordinating the efforts of all USDA agencies to provide assistance within the scope of USDA's existing authorities as enacted by Congress over the years.

I have attached as a supplement to my statement, Mr. Chairman, a listing that details in more specificity the activities which these agencies are authorized to undertake. But just to pull a few threads from the fabric, examples of the type of assistance we have available include:

1. Rural Enterprise Teams. These teams are made up of USDA agency officials located in the various States. There are teams available upon request to provide expert knowledge, advice, and assistance to rural communities and businesses that have been economically impacted in this case by western fires. The teams work closely with State governments to coordinate combined efforts to direct assistance from all the agencies and bureaus of Federal and State government, while looking to the future in particular.
2. The Soil Conservation Service can provide assistance to landowners through various technical assistance programs.
3. The Farmers Home Administration has many programs, including disaster emergency loans which apply to farmers and ranchers. Again, Mr. Boyd is here to answer any specific FmHA questions. At your request, we brought additional materials that explain these programs, the eligibility requirements, and the actions one must take to file an application for assistance.
4. The Agricultural Stabilization and Conservation Service administers several programs including emergency feed and haying and grazing assistance for livestock.

Now as a first step in addressing what we in the Department must do to carry out all of these activities, we are coordinating an interagency damage assessment effort that is still being conducted on major fires throughout the Yellowstone area. These fires have damaged or destroyed trailers, residences, cabins, vehicles, boats, outbuildings, and livestock. But there also have been natural resource losses. The exact figures for private property losses have not yet been determined.

The Department's plan of action for the post-fire recovery effort includes four major elements:

The first element is to initiate immediate rehabilitation of areas disturbed by fire suppression activities. This includes such things as grass seeding of areas with high erosion potential, and this is now underway.

The second element consists of the interagency post-fire recovery teams that are being established for each fire. These teams will prescribe emergency and long-term treatment measures. Now this applies to the comment that one of the gentlemen just immediately preceding me made. He indicated that he and others have had good contact with Federal officials, but now that there seems to be a winding down because the fires are being put out, will these contacts continue? The answer is "Yes." The Department of Agriculture is going to have an interagency team assigned to deal with these types of questions.

The third element involves the Forest Service as the principal agency that deals with these types of situations at the Department of Agriculture. The Forest Service has established a Washington office coordination team for better coordination of the various post-fire recovery teams within that agency.

The fourth element is the USDA-wide interagency fire recovery team that has been formed for the Greater Yellowstone Area, which will coordinate efforts with all agencies of the Department. There are some 32 different agencies and bureaus in the Department of Agriculture, and if there is occasion for them to get involved, we will coordinate that as well.

Right now efforts are being undertaken on National Forest lands that I think are very important. These efforts are designed to minimize any further resource damage that would impact people that live outside the forest or who depend upon the forest for their economic well-being. Grass has already begun sprouting in some of the burned areas. The National Park and National Forest system lands are in fact beginning to recover and there is not the total devastation of natural resources that some people might have been led to believe had accurred.

Some areas now have received rain or snow that will serve to accelerate this vegetative recovery. This moisture is absolutely crucial for vegetative recovery in the burned area. Wildlife are reported to be returning to burned areas almost as soon as the fires have cooled. When I was with the Cabinet-level team that was there last week, we saw buffalo and elk wandering among the smoking embers in search of food.

In terms of rehabilitation team efforts, work is underway to determine the type of seeding that needs to be accomplished as an immediate action and the type of erosion control which will be most effective.

As Governor Schwinden emphasized in his testimony, it is absolutely crucial that emergency burned area rehabilitation efforts on the National Forest System lands be designed to minimize additional damage to soil and water resources. The removal of vegetation by the fires increases runoff, and runoff causes erosion that could lead to serious downstream flooding if we do not tend to it right away. This could result in adverse impacts on fisheries, for example. We have a real responsibility on Federal lands to get out there and tend to that business. This work is important and it is now underway.

Wilderness areas present a special challenge in fire recovery prescriptions. In cases where onsite or downstream risks are high, special treatments as may be necessary are prescribed in wilderness areas. Under law, we have the authority to undertake these special treatments on wilderness lands. No doubt this may be controversial in some quarters. The law requires that to the extent feasible, we maintain native plant species. Generally, our choice is a short-lived cover crop such as annual ryes that will not hybridize with local species. People in the local area might wonder about the planting of that rye, thinking that we ought to be planting something that would last longer than that. Well, that would be the kind of seeding that would be done on the wilderness lands to comport with the law. But we will work with local people and try to do some things like that.

We may use log structures. We may ask people to come in and help us lay different types of log structures and rocks and things like that in burned areas to avoid runoff and related problems.

Bridge and trail reconstruction will take place where needed to protect facilities on National Forest system lands. And of course not all of the acres that were touched by the fires were wilderness or National Park lands. National Forest lands and some State and private lands that are particularly well suited for commercial timber sale were also affected. And the Forest Service is working quickly to modify existing timber sale contracts. Some people mentioned extensions, some people mentioned modification, and those types of modifications will be made without fail, to make sure that those contracts continue to be sensible and economically viable.

The Forest Service is inventorying the burned area and analyzing the long-term effects on allowable sale quantities, which may have been reduced significantly. This is going to be a long-term problem, so we really have to look at the total timber resource.

And then finally, Mr. Chairman, I think I should address what has already been mentioned, and that has to do with claims that might be made for compensation.

Many of the fire-related questions that we have received concern the authorities under laws enacted by Congress, of USDA agencies to directly compensate private losses arising from these fires. Now, as you have indicated and other witnesses have acknowledged, the law does not provide the Department with authority to compensate private parties for their losses, except under the Federal Tort Claims Act.

When a private party alleges blame for property loss or personal injury, negligence, wrongful act or omission of an employee of the United States, then that party may file a claim for damages under the Federal Tort Claims Act.

I think this really needs to be understood so that everyone can be clear about what might be accomplished under that act. I have attached as a second supplement to my testimony a description of these tort claim procedures so that people can have a better idea of what we are talking about. The act waives the idea of sovereign immunity for the United States in liability for torts. Under the Act, claimants may not pursue their claims in the Federal courts until they have been considered by the Federal agency involved.

The Forest Service is now working to establish a claims procedure to enable individuals who have specific damages that can be measured, to file a claim. Forest Service personnel are going to make every effort to deal with any claims received in the most expeditious way possible.

Following the Canyon Creek fire, the Forest Service made funds available to the Lewis and Clark National Forest for emergency purchase of hay and the replacement of critical stretches of fence necessary to care for livestock as a public safety measure. One thousand tons of hay are to be made available to those who have been impacted. The ranger on the Rocky Mountain Ranger District is working with designated representatives of the local ranchers to identify priority needs, and we have been very encouraged that the farmers and ranchers have been able to get together to help us identify their highest priorities. So local people have just reacted in a remarkably cooperative way to help us try to advise them on their possible use of these resources that we have deployed.

In closing, I would like to say that Secretary Lyng wants me to emphasize that the Department of Agriculture is working with all of the resources that we have at our command to provide assistance under existing authority. The officials of the USDA agencies that I have identified have a high level of awareness and concern over this situation. Each official is knowledgeable of the services and programs that USDA agencies can offer since we have been for many years in the disaster assistance business.

The establishment of the interagency task force by the Secretary to expedite requests for assistance that have been received from private parties is a clear indication of his personal commitment to these efforts. We can assure you that these efforts will continue to be carried out vigorously as long as a need exists.

Senator BAUCUS. Thank you, Mr. Dunlop.

[The prepared statement of Mr. Dunlop follows:]

STATEMENT OF
GEORGE S. DUNLOP, ASSISTANT SECRETARY
SPECIAL SERVICES
UNITED STATES DEPARTMENT OF AGRICULTURE

Before the
Subcommittee on the Rural Economy and Family Farming
Committee on Small Business
United States Senate

Concerning the impact of recent forest fire activity in Yellowstone National Park and the National Forests on small businesses.

September 24, 1988

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

Thank you for the opportunity to testify for the Department of Agriculture today. I am accompanied by Gary Cargill, the Regional Forester for the Rocky Mountain Region. Mr. Cargill is the Forest Service co-chair of the Interagency Coordinating Committee in the Greater Yellowstone Area. I will begin with a brief overview and update of the fire situation in the Greater Yellowstone Area.

The 13 major Greater Yellowstone Area fires have burned approximately 1.63 million acres including over 400,000 acres of National Forest lands. The fire suppression effort are estimated at a cost over $112 million dollars to date. At the height of fire activity, nearly 10,000 personnel were assigned to these fires, including Army and Marine battalions. Without question, these fires constitute a major natural disaster. The fires in the Greater Yellowstone Area and the western states broke all records for spotting and rates of spread. Never before in recorded fire history have so many acres burned so rapidly.

Cooler weather and a small amount of rain and snow in September have helped firefighters gain an upper hand on most of the fires. However, containment is not expected on the North Fork, Wolf Lake, and Clover/Mist fires until at least mid-October.

The Canyon Creek Fire on the Lewis and Clark National Forest, which was contained September 17, burned over 247,000 acres with suppression costs of approximately $7 million. The 35,000-acre Red Bench Fire on the Flathead National Forest is expected to be contained about September 25, and has cost $2.5 million to date.

Secretary Lyng has established a high-level interagency task group to expedite USDA responses to requests for assistance for those affected by these fires. As Assistant Secretary of Agriculture, my office has been designated by Secretary Lyng to chair this United States Department of Agriculture Fire Economic Recovery Task Force.

This task group is made up of officials from the Agricultural Stabilization and Conservation Service, Soil Conservation Service, Forest Service, Farmers Home Administration, Animal and Plant Health Inspection Service, and Office of the General Counsel. This group is assessing the damage done to private lands and businesses, and is coordinating the efforts of all USDA agencies in providing assistance within the scope of our existing authorities.

Mr. Chairman, I have attached a supplement to my statement (Supplement No. 1) that identifies the agencies in the Department of Agriculture which can provide assistance to those impacted by the recent western fires, including the types of assistance available.

Examples of the USDA assistance available include:

-- Rural Enterprise Teams - made up of UDSA agency officials, are avaialable upon request to provide adivce and assistance to rural communities and businesses impacted by western fires.

-- The Soil Conservation Service - can provide assistance through their Technical Assistance Programs and Snow Monitoring Service.

-- The Farmers Home Administration - programs include disaster emergency loans.

-- The Agricultural Stabilization and Conservation Service - administers several Commodity Credit Corporation programs, including emergency feed assistance.

Coordinated inter-agency damage assessments are still being conducted on major fires throughout the Greater Yellowstone Area. Several fires damaged or destroyed trailers, residences, cabins, vehicles, boats, outbuildings, and also natural resource losses. The exact figures for private property losses have not yet been precisely determined.

Structures were destroyed by the Canyon Creek Fire. There were losses to power and phone lines as well as an undetermined number of miles of fencing, acres of range and pasture lost, and numbers of livestock.

Fires also threatened or burned structures in other areas of the Western United States at the same time the fires in the Greater Yellowstone Area were raging out of control.

The Department's plan of action for the post-fire recovery effort includes:

- Immediate emergency rehabilitation of areas disturbed by fire suppression activities, and grass seeding of areas with high erosion potential is underway.

- Interagency post-fire recovery teams have been established for each fire to prescribe emergency and long-term treatment measures.

- A Washington Office coordination team has been formed for better coordination of the various post-fire recovery teams within the agency.

- An interagency fire recovery team has been formed for the Greater Yellowstone Area.

Resource experts are assessing natural resource damage. Grass began sprouting in some areas inside the National Park and National Forest burned areas before other parts of the fires were out. In some areas we have received rain or snow that will help vegetation recovery. This moisture along with additional rain and snow this winter will be the key for vegetative recovery in the burned areas. Wildlife are reported to be returning to burned areas as soon as the fires have cooled. We are still assessing damage to to fishery resources.

Rehabilitation teams are working to determine the types of seeding that needs to be accomplished and the types of erosion control work which will be most effective. In addition, resource managers are evaluating long-term and cumulative effects on watersheds, especially the potential for increases in sedimentation.

The emergency burned area rehabilitation effort on National Forest System lands is designed to prevent additional damage to soil and water resources that result from fires. The removal of vegetation and ground cover increases runoff and susceptibility to erosion. Sometimes serious downstream flooding can result from significant fires. By taking immediate action to reseed severely burned areas and perform other erosion and runoff control actions, the risk of additional loss is reduced.

These activities rely on recommendations of interdisciplinary teams. They work to assure that necessary emergency actions are coordinated with long-term resource needs and accomplished in the most economical manner consistent with resource values.

Wilderness areas present a special challenge in fire recovery prescriptions. Often these areas will recover without special treatment. In cases where onsite or downstream risks are high, special treatments as may be necessary are prescribed in wilderness areas. These special treatment measures are designed to provide immediate resource protection while protecting the wilderness characteristics of the area as provided for in the Wilderness Act. The law requires that to the extent feasible, we maintain the native plant species. Generally, our choice is a short-lived cover crop such as annual rye that will not hybridize with local species or offer serious competition to native recovery. We anticipate that such seeding will be necessary in some areas of wildernesses which have been severely impacted.

In some cases, log structures of burned trees may be placed on slopes to reduce runoff. Small rock or log structures are sometimes placed in tributary drainages to prevent erosion damage from increased runoff.

Bridge and trail reconstruction will take place where needed to protect facilities on National Forest System land.

## CLAIMS

Mr. Chairman, many of the fire-related questions we have received concern the authority of agencies within the Department of Agriculture to directly mitigate or compensate for private losses arising from these fires. The Department does not have authority to compensate private parties for their losses except under the Federal Tort Claims Act.

When a private party alleges blame for injury or loss due to the negligence, wrongful act, or omission of an employee of the United States, that party may file a claim for damages under the Federal Tort Claims Act. I have attached a description of these tort claims procedures to my testimony (Supplement No. 2). This act waives generally the sovereign immunity of the United States from liability for torts. The Act does maintain sovereign immunity in some instances, and in those instances we are not authorized to make payments.

Following the Canyon Creek Fire, the Forest Service made available funds to the Lewis and Clark National Forest for emergency purchase of hay and the replacement of critical stretches of fence necessary to care for livestock as a public safety measure. One thousand tons of hay have been ordered and crews are building 40 miles of fence for public safety and to reduce livestock losses. The Ranger on the Rocky Mountain Ranger District is working with designated representatives of the local ranchers to identify priority needs.

I wish to emphasize that the Department of Agriculture is acting to provide assistance within the authorities of the Farmers Home Administration, Soil Conservation Service, Agricultural Stabilization and Conservation Service, Forest Service, Agricultural Research Service, Federal Crop Insurance Corporation, National Agricultural Statistics Service, and Extension Service. The officials of these agencies have a high level of awareness and familiarity with services and programs which can assist in restoration efforts after this unprecedented fire season. The establishment of the inter-agency coordination group by the Secretary of Agriculture to expedite requests for assistance from private parties is a clear indication of the Secretary's commitment to these efforts.

Mr. Chairman, this concludes my testimony. I would be pleased to respond to any questions you may have.

USDA Supplemental Statement No. 1

## USDA ASSISTANCE TO FARMERS, RANCHERS AND BUSINESSES IMPACTED BY THE WESTERN FIRES

I A USDA Fire Economic Recovery Team has been established by Secretary Lyng in the office of Assistant Secretary Dunlop to expedite USDA responses to requests for assistance from private entities affected by the fire. This task group is made up of officials from the Agricultural Stabilization and Conservation Service, Soil Conservation Service, Forest Service, Farmers Home Administration, Animal and Plant Health Inspection Service, and Office of the General Counsel. This group will seek to assess the damage done to private lands and businesses, and coordinate the efforts of all USDA agencies in providing assistance within the scope of existing authorities.

II Rural Enterprise Teams are available, upon request, to provide advice and assistance to rural communities and businesses impacted by the western fires. These teams are comprised of officials of USDA agencies, namely the Forest Service, Farmers Home Administration, Soil Conservation Service, Agricultural Stabilization and Conservation Service, and Extension Service, Agricultural Research Service, Federal Crop Insurance, National Agricultural Statistics Service. These USDA officials have a high level of awareness and familiarity with existing services and programs that assist in the rebuilding process.

Rural Enterprise Teams work closely with the State officials. This relationship, combined with expertise from the private sector, other Federal Government agencies, like the Small Business Administration and the Economic Development Administration and university personnel, will help the team assess individual situations and make recommendations to use the tools of the Federal and State Government.

III The Soil Conservation Service (SCS) can provide assistance through their Technical Assistance Programs and Snow Survey and Monitoring Service.

The SCS is available to provide technical and financial assistance under either the "Conservation Technical Assistance Programs" or by the "Emergency Watershed Protection Program." Both programs provide engineers, agronomists, conservationists, and soil experts who can evaluate and direct rehabilitation efforts. These efforts are designed to control erosion and reduce sediment pollution by use of cultural practices, sediment structure construction, re-vegetation and other practices. These conservation measures would serve to protect surface water supplies, road systems, stream systems, and developed areas from excessive runoff and sedimentation damage for the period of time required to reestablish permanent vegetative cover.

Assistant teams could be made available upon request to evaluate the emergency watershed protection needs and estimate cost for reducing serious fire-caused erosion and runoff problems. The Forest Service acts as a partner with SCS on these efforts.

The Snow Monitoring Service provides a vital forecast of potential snow-melt runoff which in turn provides a forecast of potential soil erosion areas.

IV The Farmers Home Administration (FmHA) has a number of programs, some specifically intended for disaster relief and others available for agriculture and rural development in general, that may provide assistance. Disaster-related assistance is available under the emergency (EM) loan program which provides low-cost loans to farmers and ranchers who suffer production or physical (structures, equipment, livestock, etc.) losses in counties covered by disaster designations.

In addition, new legislation being implemented shortly provides FmHA guarantees for loans make to rural businesses and other enterprises which have suffered losses due to drought, hail, excessive moisture or other related conditions, including wildfire, during 1988.

FmHA's conventional programs, which may be appropriate to the disaster-related needs of farmers and ranchers, as well as other rural residents and businesses, include direct and guaranteed laons for farm ownership and operations, direct loans for rural single family home ownership and rental housing, loans and grants for rural water and waste disposal systems, loans for a wide range of essential community facilites, and guaranteed loans for business and industry.

Drought Disaster Counties -- 76 counties in the States of Idaho, Montana and Wyoming either have been declared by Secretary Lyng as drought disaster counties or the request is currently under review. These counties are as follows:

| IDAHO | MONTANA | WYOMING |
|---|---|---|
| 12 counties requested, Secretary decision pending Blaine, Butte, Cassia, Elmore, Franklin, Lincoln, Washington, Camas, Custer, Bear Lake, Clark, Oneida | 41 counties designated: Fergus, Golden Valley, Garfield, Rosebud, Stillwater, Teton, Yellowstone, Cascade, Judith Basin, Musselshell, Phillips, Wheatland, Big Horn, Petroleum, Fallon, Hill Sheridan, Toole, Wibaux, Blaine, Carter, Chouteau, Custer, Liberty, McCone, Pondera, Prairie, Powder River, Daniels, Dawson Richland, Roosevelt, Treasure Valley, Beaverhead, Glacier, Park, Meagher Broadwater, Cargon, Lewis & Clark | 23 counties (entire State) requested, the following designations have been made: Campbell, Converse, Crook, Johnson, Niobrara, Weston. Decisions on the remaining counties are pending. |

VI The Agricultural Stabilization and Conservation Service (ASCS) administers several Commodity Credit Corporation (CCC) programs on behalf of CCC under several acts, including the Disaster Assistance Act of 1988, which provide the following assistance to producers located in the fire area, as well as other producers impacted by the drought and other natural disasters:

- Emergency Feed Programs (EFP) will provide cost-share assistance on feed losses, including stored feed and hay stocks.
- The Emergency Feed Assistance Program (EFAP) provides producers with the opportunity to purchase CCC-owned grain at 75 percent of the county loan rate for such commodity. To be eligible, producers must have suffered at least a 40 percent loss of livestock feed.
- All counties in Montana and Wyoming and 31 counties in Idaho have been designated for EFP and EFAP.
- Producers of field and forage crops may also be eligible for disaster payments.
- Livestock producers in drought-stricken counties (over 2,200 counties in 41 states) have been permitted to harvest hay and to graze livestock on the acreage removed from annual crop production under the "farm program" production adjustment provisions.
- Producers who have 10-year contracts to remove highly erodible cropland from production under the Conservation Reserve Program have been allowed to harvest hay or other forages from this acreage for their own use or sale in the drought-stricken counties. Producers in non-drought areas may also harvest hay from this acreage if the hay is donated to producers in drought affected areas.

USDA Supplemental Statement No. 2

## TORT CLAIMS PROCEDURES

### I. CONDITIONS FOR FILING

A. When a private individual alleges blame for injury, property loss, or personal injury or death on the negligence, wrongful act, or omission of a Forest Service employee and wishes to seek monetary compensation, he or she does so by filing a claim under the Federal Tort Claims Act.

B. Claim must be filed within 2 years after the individual becomes aware of the injury and its cause.

C. Claim for damages must be in a sum certain, signed by the claimant or an authorized representative, and contain sufficient detail for the claim to be investigated. Claimants can use Standard Form 95, but do not have to. Claims should be submitted to the local Forest Service office.

### II. PROCESSING PROCEDURES

A. The Comptroller General has ruled that all tort claims arising from a single incident must be regarded as a single claim in determining agency delegated settlement and payment authorities.

B. Office of the General Counsel field offices have authority to handle tort claims not exceeding $60,000 per single incident. All others go to Washington OGC.

C. At any level, if allowance is in excess of $25,000, Department of Justice approval must be obtained.

D. If a determination is not made within 6 months of the claim being presented to a Forest Service office in proper form, the claimant has the right to then file suit in United States District Court.

E. Similarly, if the claim is denied by the proper office, the claimant has a 6 month period from mailing of the denial to file suit in District Court, if dissatisfied with the determination.

## Assistance Available From Farmers Home Administration For Fire Victims

Disaster Emergency Loans: FmHA low interest emergency loans are available to farmers and ranchers in counties that have been declared disaster areas. If the applicant cannot get a loan from another lender and has suffered a 30 percent or more loss, FmHA can make a loan at 4.5 percent interest. Borrowers must show that they can repay the loan, along with whatever other debts and expenses they may have. The loan can be for as much as 80 percent of the actual loss up to the $500,000 ceiling.

Operating and Ownership loans: Regular FmHA Farm Ownership and Farm Operating loans are available to farmers and ranchers who are not in a declared emergency county but who cannot get a loan from another lender. There are both direct and guaranteed loans under these programs. Farm Ownership loans can be used to construct, repair or improve buildings and to improve farmland as well as to buy farmland. Farm Operating loans can be used for feed, seed, fertilizer, livestock, farm and home equipment, living expenses and seasonal hired labor.

Business and Industry Loans: Businesses and industries that have suffered a loss due directly or indirectly to the drought (including forest fires) may be eligible for assistance through an FmHA guaranteed loan. The guarantee assures private lenders that FmHA will make up for 90 percent of any loss on the loan. The interest rate is negotiated between the borrower and the lender. There is a $500,000 ceiling on B & I loans.

Housing programs: FmHA loans are available to low income people in small towns and rural areas to obtain modest, but decent housing. Housing repair grants are available to senior citizens to bring their homes up to safety and health standards.

Community Programs: FmHA loans are available to communities for such facilities as court houses, health clinics, fire and police protection, libraries and other public necessities. In addition, FmHa can assist communities with loans to provide clean water processing and waste water treatment.

# Farmers Home Administration (FmHA)

## Responsibilities

FmHA provides financial assistance to rural people and communities who cannot obtain commercial credit at affordable terms. To qualify for FmHA assistance, applicants must be unable to obtain credit from usual commercial credit sources. A goal of FmHA farm credit is to help farmers attain self-sufficiency and to "graduate" to commercial credit as soon as possible.

## Programs

Farm Ownership Loans: To buy land; construct, repair or improve buildings; and improve farmland.

Farm Operating Loans: For feed, seed, fertilizer, livestock, farm and home equipment, living expenses, and seasonal hired labor.

Emergency Loans: To cover actual losses of farmers struck by natural disasters. Available in counties named as eligible for disaster emergency loans by the Secretary of Agriculture or the President.

Soil and Water Loans: To help individual farmers and ranchers develop, conserve, and properly use land and water resources.

Limited Resource Loans: To help low-income farmers and ranchers improve their operations. A "limited resource" farmer lacks equipment, capital, land, adequate financing or farming methods, obstacles faced most often by young and minority farmers who have been unable to develop farms that earn them an adequate living.

Youth Project Loans: To enable rural young people between the ages of 10 and 20 years to engage in income-producing projects. All projects must be part of an organized and supervised program of work such as school, 4-H club, or Future Farmers of America.

Rural Housing Loans: To aid low- and moderate-income rural residents to purchase or to construct single-family housing.

Rural Rental Housing Loans: To allow individuals or organizations establish apartments in rural areas for low- and moderate-income residents.

Housing Repair Loans and Grants: To enable very low-income, rural homeowners to remove health and safety hazards and to make homes adequate for habitation. Grants are available only to the elderly.

Mutual Self-Help Housing Loans: To assist groups of six or more low-income families construct homes. The groups must agree to work together until all homes are finished. Funds are used to buy materials and hire skilled labor.

Rental Assistance Payments: To owners of FmHA-financed rental projects to reduce the rents paid by low-income tenants to no more than 25 percent of their incomes. The payments make up the difference between the tenants' payments and an approved rental rate established for the unit.

Water and Waste Disposal Loans and Grants: For original installation or improvement of community water systems, sewer systems, and solid waste disposal systems serving small towns and rural areas.

"Other" Community Facilities Loans: To build or improve public facilities such as hospitals, health clinics, fire and police stations, community centers, libraries, schools, roads and streets, and other essential community services.

Business and Industry Loan Guarantees: To help establish businesses or industrial operations in towns of up to 50,000 population or in the open countryside. Funds may be used for expenses such as purchase of land, buildings and equipment, and for working capital.

## Organization

FmHA is administered by the Under Secretary for Small Community and Rural Development, who also heads the Rural Electrification Administration (REA) and Federal Crop Insurance Corporation (FCIC). FmHA is directed by an administrator from the national office in Washington through 46 State, 250 district and about 1,950 county offices. A finance office at St. Louis, Mo., handles financial, statistical, and management information activities. Farm and single-family housing loans are made by county offices; community facilities, multi-family housing, and business and industrial development loans are handled by district offices.

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## Information Contacts

1. FmHA local or State offices are listed in telephone directories under "Federal Government" or "U.S. Department of Agriculture.
2. Farmers Home Administration
   U.S. Department of Agriculture
   Washington, D.C. 20250
   Telephone: (202) 447-4323

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## Topics of Current Interest

FmHA's number one priority is to service the loans of borrowers already on the books, by counseling borrowers, offering technical and financial advice, reworking "farm and home" plans, rescheduling or reamortizing loans, and subordinating FmHA loans to commercial creditors.

With subordinated loans, FmHA assumes a second lien of security property or chattels, permitting banks and other commercial lenders to make loans with a first lien.

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## Farmers Home Administration Facts

o FmHA is the federal government's largest direct lender with a portfolio of loans amounting to $70 billion. However, FmHA--being the "lender of last resort"--provides only about 12 percent of the Nation's agricultural credit. The Farm Credit Administration, an independent government agency, is the largest agricultural lender, providing about 35 percent of farm financing.

o In FY 86, despite a year of general economic hardship, 98 percent of FmHA's farm borrowers stayed in the business.

o FmHA has financed over 20,000 water and waste disposal systems in small towns throughout America. Towns larger than 10,000 population are not normally eligible for assistance under this program.

o Nearly all FmHA farm loans are made to family-size farmers although the farm may be held individually, in partnership, or as a corporation. A "family farm" is defined by a local County Committee based on the general definition as a farm one family can operate and manage, performing the work with no more than occasional hired labor except in peak or emergency periods.

o Nearly 1 million families now own their homes through rural housing loans from FmHA.

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MARCH 1987
U.S. Department of Arigriculture

Office of Information
Office of Governmental and
Public Affairs

# U.S. DEPARTMENT OF AGRICULTURE
# FARMERS HOME ADMINISTRATION
# DISASTER EMERGENCY LOANS

The Farmers Home Administration (FmHA) can make emergency (EM) loans in counties where physical property loss or damage and/or severe production losses occur as a result of a natural disaster that substantially affects farming, ranching, or aquaculture operations. EM loans will be made available to applicants having qualifying physical and/or production losses in a county named by FEMA as eligible for Federal assistance, under a major disaster or emergency declaration by the President; or under a natural disaster determination by the Secretary of Agriculture; and to applicants who have suffered qualifying severe physical property losses when, prior to action by the President or the Secretary, the FmHA Administrator has determined that such losses have occurred as a result of a natural disaster. Farmers, ranchers or aquaculture operators in counties adjacent to such named counties may also apply for and qualify for EM loans.

A natural disaster determination by the Secretary of Agriculture is initiated by a formal written request from a State Governor or Indian Tribal Council. However, no such request is needed to initiate the action of the FmHA Administrator. The FmHA Administrator's action is initiated by an FmHA County Supervisor and requested by the FmHA State Director.

## WHO CAN GET A LOAN?

To qualify for an EM loan an applicant must:

1. Be an established family farm operator (owner or tenant), who was operating and managing a farm at the time of the disaster in a county which has been named as an area eligible for EM loans. An applicant can be farming as an individual, cooperative, corporation, partnership, or joint operation.

2. Be a citizen of the United States or legal resident alien. If an applicant is a cooperative, corporation, partnership, or a joint operation, more than 50 percent interest in the entity must be owned by U.S. citizens and/or legal resident aliens; and the entity must be primarily engaged in farming, i.e., derive more than 50 percent of its income from all sources from production of agricultural products.

3. Have the industry, ability, training or experience necessary to repay the loan, and realistically project the ability to do so.

4. Provide evidence of having suffered a qualifying physical loss, or a production loss of at least 30 percent in any single enterprise constituting an essential part of the total farming operation.

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However, applicants are precluded from counting crop production losses to crops that could have been insured by comprehensive crop insurance programs sponsored by the Federal Crop Insurance Corporation, but were not insured.

5. Be unable to obtain suitable credit from a lender(s) other than FmHA, when offering all assets owned as collateral to such lender(s).

6. Provide adequate security.

7. Be able to realistically project a positive cash flow for the term of the loan.

All applications will be considered without regard to age, race, color, creed, sex, marital status, handicap or national origin.

## WHAT IS THE PURPOSE OF THE PROGRAM AND HOW CAN LOAN FUNDS BE USED?

FmHA EM loans are made to eligible applicants to help them overcome the adverse effects of a natural disaster.. Loan funds may be used to:

- Restore or replace damaged property;
- Pay all or part of production costs associated with the disaster year and/or the year following the disaster year;
- Pay delinquent debt installments;
- Pay essential family living expenses;
- Construct, buy or improve essential buildings;
- Purchase essential machinery, equipment and foundation livestock;
- Pay costs to reorganize a farming system, when justified; and
- Refinance short, intermediate and/or long-term debts, when justified.

## WHAT IS THE LOAN CEILING?

Eighty percent of the calculated actual production loss and 100 percent of the actual physical loss, or $500,000, whichever is the lesser amount, for each disaster.

## DO FmHA LENDING CONDITIONS DIFFER SIGNIFICANTLY FROM THOSE OF PRIVATE LENDERS?

Yes. Some of the more significant of these conditions are:

1. Applicants must agree to maintain records, acceptable to FmHA, on their farming operation.

2. Applicants must agree to operate in accordance with a plan of operation jointly developed and agreed upon with FmHA.

3. Applicants must agree to obtain FmHA's prior consent whenever: (a) changes are needed in the agreed upon plan of operation; (b) assets, with a valid FmHA lien, are to be sold or otherwise disposed; and (c) proceeds derived from the sale of assets, with a valid FmHA lien, are to be used for any purpose other than applying them on the FmHA debt.

## WHAT ARE THE TERMS OF THE LOANS?

Loans to recover from production losses to crops and/or livestock production, and loans to recover from physical losses to supplies, livestock and equipment will normally be scheduled for terms up to 7 years, as needed. Under conditions of special need, terms of not more than 20 years may be authorized for production type losses. However, real estate is normally required as security when terms exceed 7 years. Loans to recover from physical losses to essential buildings and facilities are normally made for terms not exceeding 30 years. However, under conditions of special need, terms of not more than 40 years may be authorized.

## WHEN ARE BORROWERS REQUIRED TO RETURN TO PRIVATE CREDIT SOURCES?

All EM loan borrowers, who were not able to obtain their needed credit elsewhere at the time of receipt of their initial EM loans, will be reviewed for "graduation" to other creditors 3 years after their initial loan is made; or at any earlier date when it appears they can obtain their needed credit elsewhere; and every other year thereafter, until graduation is accomplished.

## WHAT IS THE INTEREST RATE?

Currently the interest rate is 4.50 percent per annum for all new EM loans made, and for all EM actual loss loans rescheduled or reamortized.

## WHAT SECURITY IS REQUIRED?

Collateral for EM loans must be of such a nature and in sufficient amount to assure repayment of the loan. Required collateral will consist of the best lien obtainable on assets owned by an applicant who is an individual. In the case of an entity applicant, the best lien obtainable will be taken on assets owned by the entity, and assets owned by each individual having an ownership interest in the entity. If the usual collateral is not available as a result of the disaster, exceptions to the security requirements may be made, provided certain other conditions can be met. In such cases, further consideration will be given to the applicant's history of managerial ability, soundness of operation, and actual earnings.

Whenever FmHA has a security interest in a crop(s) being grown or to be grown by an EM loan borrower, comprehensive crop insurance is required for at least the minimum level of coverage on any crop eligible under programs sponsored by the Federal Crop Insurance Corporation. Effective for crops harvested after December 31, 1986, applicants for EM loans must have had comprehensive crop insurance in effect at the time of occurrence of the disaster, if it was available. If crop insurance was available for any crop(s), but was not in force at the time of the disaster, FmHA will not consider any production losses to such crop(s) when calculating eligibility for a production loss loan.

## IS THERE A TERMINATION DATE FOR FILING APPLICATIONS?

Yes. Applications for EM loans must be filed within 8 months of the date the disaster decision is announced by the President, the Secretary, or the FmHA Administrator.

## WHERE ARE APPLICATIONS FOR LOANS RECEIVED?

Applications are received in FmHA County Offices. These offices are listed in the telephone directory under U.S. Government, Department of Agriculture, Farmers Home Administration. Application information may also be obtained by writing the Farmers Home Administration, Washington, DC 20250, giving your name and address and the name of the county in which the farming operation's headquarters is located.

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Senator BAUCUS. Let us talk for a moment about Federal tort claims. The general perception is that the program does not really amount to much as a practical matter because it takes so long to get any results. In addition, any claims over $25,000 have to go to the Justice Department for consideration.

Mr. DUNLOP. That is correct. We can settle within the Department under $25,000. Above that, Justice Department approval must be obtained.

Senator BAUCUS. Can you give us some examples of where the Federal Tort Claims Act has really worked for folks in similar instances?

Mr. DUNLOP. Well, no, sir——

Senator BAUCUS. How many days it took and the percent of compensation received? I am just curious because again we are trying to find out what works and does not work as a practical matter.

Mr. DUNLOP. I did not come prepared to discuss this since these types of matters are handled through the Office of General Counsel. OGC is part of this USDA task force, but I think that as a practical matter we make a conscientious effort to resolve a claim as quickly as possible if there is no question that it was the fault of the Department. For example, if there was a need to have a bulldozer rip out a line of fence and if we did that in the course of suppressing the fire, well that would be a case where damage was done by our people at our direction. Clearly, we will pay that claim. So there are many people—maybe not the bulk of people, certainly not the indirect, secondary and tertiary effects, some of which have been discussed today--but these claim procedures are useful to many people. They are not useful to everybody perhaps because of the length of time and everything else.

Senator BAUCUS. Is the Forest Service going to affirmatively replace those fences that were taken out by firefighters or must a person, a rancher who has a fence, first file a claim through the Federal Torts Claim Act. As you pointed out already, the Forest Service has paid for 40 miles of fence.

Mr. DUNLOP. Well Senator, I think each case would have to be dealt with on a case-by-case basis. This is why it is important, even if an individual might not intend to go through the process of filing a claim under the Federal Tort Claims Act, particularly true if a claim deals with alleged negligence or direct action of the sort we are discussing.

So the answer to your question is, under certain circumstances, yes. I could not subscribe to that in every instance because I just do not know the circumstances. But yes, we are going to try vigorously to be of assistance to people. We are not going to try to dodge any of our legitimate responsibilities.

Senator BAUCUS. Would counties that were designated drought counties have to be redesignated disasters for fire relief assistance under USDA programs? Or does the drought assistance itself trigger some of the programs that we are talking about?

Mr. KULIK. It would trigger those programs, Senator, but not for the people who are affected by the fire. It would only trigger the programs for those affected by the drought or more specifically by the effect of the drought on farms. It is necessary to have an additional designation.

Senator BAUCUS. A redesignation.

Mr. KULIK. A redesignation for this particular disaster, because these programs are limited only to the effect of the specific disaster.

Senator BAUCUS. And we are talking about the redesignation by the Governor, is that right?

Mr. KULIK. He makes the request to the agency.

Senator BAUCUS. It is automatic then?

Mr. KULIK. Well the designation is made by the Administrator and if the Governor's request meets all the requirements, which the Governor's office is well aware of, we will respond within 5 working days.

Senator BAUCUS. All right.

Mr. DUNLOP. Mr. Chairman, in regard to the Department of Agriculture, it will be necessary because the drought designations are separate disasters than the fires; and even though the drought conditions were conducive to the fires starting, a separate diaster designation is necessary.

Senator BAUCUS. Does that only apply because it is for agricultural purposes, to farmers and ranchers only or would that also apply to other businesses?

Mr. DUNLOP. Farmers and ranchers and those types of what we call business and industrial loans that are directly related to supplying agriculture, such as those Farmers Home Administration business and industrial loan guarantees made to private sector lenders who provide capital to businesses involved with the production and sale of farm related products and services. For example, grain elevators, farm chemicals, equipment, commodity processing, and other farm related materials and supplies. The other businesses could apply to SBA.

Senator BAUCUS. What about an outfitter? Is it going to apply to an outfitter?

Mr. DUNLOP. I would not think so.

VOICE. What about a saddlemaker?

Mr. DUNLOP. That would be under SBA. Now it gets a little bit more complicated in fact because not only are there FmHA disaster designation requirements, there are also ASCS requirements that are slightly different. Those do not require a secretarial designation—I mean a Governor's declaration. That can be done by the Administrator of the ASCS.

Senator BAUCUS. Have you looked into setting up a one-stop operation for people? There are more doggone programs than you can shake a stick at. First of all, most of them tend to be time-consuming redtape and paperwork. Second, each of them are different. Third, there are so many of them. And fourth, people are uncertain as to how much compensation will be made available anyway. Is there some way to have a one-stop operation?

Mr. DUNLOP. We have been very conscious of this particular problem because we have so many different USDA agencies. We have at least six agencies——

Senator BAUCUS. Yes.

Mr. DUNLOP. Each of these agencies have their authority and law written different years. Some——

Senator BAUCUS. I don't want the problem, I want the solution.

Mr. DUNLOP. And so it is really impossible to say—because we have to operate under the law—to say that we can just change the rules for this particular instance and have one rule for every agency, every bureau, to apply in this case. Really we cannot because of the law.

So what we are trying to do is encourage people to do two things; one, for each fire, as I have indicated, we have set up a coordination committee. And if people will make their contact with those coordinating committees through the agencies with which they most commonly deal—some people might most commonly deal with the Forest Service, some ranchers might most commonly deal with——

Senator BAUCUS. Let us take a specific example, let us take the Canyon Creek fire.

Mr. DUNLOP. Yes.

Senator BAUCUS. Suppose a rancher up there lost livestock, he lost some fence, he lost some feed, he lost some timber and he is worried about SCS and conservation and the other feed programs.

Mr. DUNLOP. We will have a one stop——

Senator BAUCUS. Well, what does this rancher do? He is sitting at his kitchen table going through all his losses, where does he go, what does he do? Where is the one stop place he goes to?

Mr. DUNLOP. Well——

Senator BAUCUS. In the Canyon Creek fire, for example.

Mr. DUNLOP. Yes. There is a team that is being set up for that fire, a coordinating committee. I do not know the exact name of the individual who will be that contact, but what I have been advised is that on these local areas that if an individual, just as you have described, will go to the person he deals with the most. If he most often deals with the Forest Service supervisor or ranger in that area, or immediate environs, he beats a hasty path over there and says, "here is my problem, I have got these seven people I need to deal with." The supervisor or district ranger says, "I will take care of it for you. We will bring these people together and we will set you up an appointment so we can get these things handled all at one time."

Senator BAUCUS. I just want to get an idea of what is contemplated here. The rancher goes to whomever he knows best, is that the idea?

Mr. DUNLOP. Well, as was pointed out, a meeting like this was held yesterday, in fact, several of the people that were witnesses alluded to that. We are going to be holding meetings where people can go and learn about these types of things. That is why we have designated for each fire a post-fire coordinating committee in the local area. And that is right, this will be made available to the people. Now if they want to do something tomorrow morning or Monday morning and they have not heard yet about it or read in the paper exactly who to go to, they can go, if they wish, to the person they deal with most frequently.

Senator BAUCUS. OK, I am just trying to put myself in the shoes of some of these people who have suffered direct losses and have cattle that need to be fed and they cannot wait.

Mr. DUNLOP. Well see, in that case, that individual knows he should go to the ASCS because they have the emergency feed program.

Senator BAUCUS. All right, so then the ASCS office will coordinate all these things, all the various USDA programs, all of them?

Mr. DUNLOP. Well Senator, if the fellow has a problem with a timber sale contract that he needs to have renegotiated, no. The ASCS is not going to know about that. But what the person will do, because he has been dealing with the ASCS about his emergency feeding program, the ASCS will say I will set it up for you so that we will bring in the Forest Service and help modify the timber contract. It would be very impractical for us to expect ASCS people to modify timber contracts. We could not do that.

So, we need to be able to have these teams set up with names, phone numbers, and contacts so that we can help facilitate these matters. There is nobody better equipped to deal with these individuals than the people right in the field, local people, who have been working with them over the years.

Senator BAUCUS. All right.

Mr. DUNLOP. Maybe we have something from SBA.

Mr. KULIK. As I said, Senator, we will have teams onsite. We will get together with Mr. Dunlop's office and whenever we get a team onsite, we will find out the name of his team leader and either invite them to be there or if they have already covered the territory, we will have a name and a phone number so that if anybody comes in with a situation that does not belong to SBA but more properly belongs to Agriculture, we will make the contact.

However, just as a matter of broad generality, if you are involved as a farmer or a rancher, you belong to Agriculture, they have the programs that will help you. If you are a small business, not a farmer or rancher, come to SBA once the disaster is declared, we have the programs to help.

Senator BAUCUS. Give us a little idea what you mean by onsite? Again let us take an outfitter or a small businessman. Go ahead.

Mr. KULIK. I do not know what the Governor is going to request in terms of locale, I do not know how many counties will be involved or where the major——

Senator BAUCUS. But after those are designated, then what?

Mr. KULIK. After those are designated, we will work with the State people to find out where the major concentrations of victims are and we will have somebody there. For example, the current drought disaster, as I said starting Monday we will have three teams that are riding a circuit of the State. I think they will be going to 10 different cities for the next 2 weeks. These are the centralized locations that were identified to us by the State.

Senator BAUCUS. It has been my experience it is very, very important to have people there on the site and location instead of talking on the telephone.

Mr. KULIK. So do we, sir. Absolutely, and that is why we set up these three teams and frankly if we are in a city and it looks like we have more business than we are able to handle on this circuit, we will be back. No problem.

Senator **Baucus**. Can you estimate how much SBA programs and USDA programs will compensate the people who have actually suffered losses?

Mr. **Kulik**. For small businesses without credit elsewhere available who have suffered economic loss to the extent that they cannot pay their bills we will, in effect, provide them with the working capital they need to carry them over. If it is merely somebody who says my business was down by 10 percent but I still have sufficient profit or I still have a profit or still have sufficient resources to cover it, they are not eligible for a subsidized interest——

Senator **Baucus**. This is in your Economic Injury Disaster?

Mr. **Kulik**. Correct.

Senator **Baucus**. All right. So again, if he cannot continue to operate, his losses are that severe, then he gets a loan.

Mr. **Kulik**. Then he is eligible for a low-interest loan.

Senator **Baucus**. I see.

Mr. **Kulik**. Unfortunately we have no grant programs.

Senator **Baucus**. That is correct.

Mr. **Dunlop**. And likewise, Mr. Chairman, that would be the case with the Farmers' Home Administration. People who cannot qualify for credit elsewhere have available to them under the Farmers' Home Administration certain different types of loan programs.

In terms of livestock assistance, the Agricultural Stabilization and Conservation Service has a number of programs such as one that will cost-share assistance of feed losses, including stored feed and hay stocks. Another provides producers with the opportunity to purchase CCC-owned grain at 75 percent of the county loan rate for that commodity. There are a number of programs through which ASCS provides cost-sharing and the Soil Conservation Service provides technical planning and implementation assistance. Cost-sharing practices include ponds, impoundments, establishment of vegetation, and others.

Senator **Baucus**. Now this task force that you're putting together, is it only to attempt to facilitate the present existing programs, or do you also have a mandate to determine whether there should be additional assistance, say grant assistance, made available to those who have been injured?

Mr. **Dunlop**. Yes, sir, I think it is a full range of things that we are going to be looking to do, and the first one is to make sure that the processes and the instrumentalities we now have work. That is job one. And I think there are ways that we are trying to think ahead and see what else might need to be done.

Oftentimes doing additional things will not necessarily require additional appropriations or new law. They just require us to be innovative and creative in our thinking, and to be able to piggyback on some existing programs and activities that we have. For example, one of the things that was mentioned several times by a number of witnesses was the idea of maybe some nationwide campaign for publicity about coming to Yellowstone.

To illustrate, a lady who is from South Dakota came into my office yesterday. She and her husband run a hotel about a day and a half drive from here, or from Yellowstone. They are concerned about a program that will get people to come to Yellowstone next year, and what we can do to help. She asked if we could start a nationwide program to get people to come from all over America to help plant trees. Well that is the kind of thing that we could coordinate. We could help. We could use our knowledge and expert resources without necessarily having to seek further legislation.

But in terms of our immediate task of talking about going beyond those laws that exist, no, that is not part of our charge.

Senator BAUCUS. Well I encourage you to look into, not only just turning the crank to make the present operation work, but also an independent assessment of your own as to whether something else is necessary to make it work better.

Mr. DUNLOP. Yes sir. I think that certainly needs to be considered and looked at carefully. The Department will be very cooperative with you and others in Congress who would like to do those things. But one of the things that I think we have to be careful to do, I would submit, is that there are these programs that can help.

Now many people will say they do not need a loan; but I will tell you that more than a billion dollars worth of loans have been made and people have used them to good effect. People say they do not need cost-share assistance or 75 percent of the county loan rate for feed. They prefer to be compensated. Well the fact of the matter is that this is the type of assistance that is available and we will do our best to deliver it to those who need it.

And so we have these tools. We can talk about things we might need to do in the future to change the law. The Agricultural Appropriation Conference completed its work last night. It might be 6, 8, or 10 months before any new applicable laws could be passed. We really want to emphasize to people that if there are programs available now, do not reject them out of hand because we are ready to deliver those services that are available under existing authorities.

Senator BAUCUS. I appreciate that. I want to thank you for coming to visit us. My experience is it makes a big difference for you to come physically to a location, see what is happening, as you have, and also talk to the people there. You can look in their eyes and get a sense of what is and is not really happening, it makes a big difference.

As a policy in my office, I take all phone calls from home, unscreened. Anybody calls my office, the secretary puts them through. You know, I am not there all the time, but I return the calls the same day.

Here is what I would like to do. I am going to remind folks what my telephone number is and I would like you to tell everybody here what your telephone numbers are, because I just know that they really need to talk. I know that Tamara does a great job and the people in my office do a wonderful job, but I know that if I get a telephone call from somebody at home, you know, I am going to talk to Tamara or whoever it is and say help take care of this.

Mr. DUNLOP. I will state mine for the record if you wish.

Senator BAUCUS. That is what I am going to do and I hope it is published, because I know that you want to know what is going on. I think this will help us.

Mr. Dunlop. Well for the record, the address would be George S. Dunlop, Assistant Secretary of Agriculture, USDA, Washington, DC 20250. The telephone number is Area Code 202-447-7173.

Senator Baucus. Let us repeat that one more time, the telephone number.

Mr. Dunlop. Telephone number is Area Code 202-447-7173.

Senator Baucus. And I encourage you to take the calls.

Mr. Dunlop. Indeed.

Senator Baucus. If anybody from Montana calls.

Mr. Dunlop. Well I in fact talked to several people yesterday just before we came out. They knew we were coming and they called and wanted to be sure we had some facts and figures.

Senator Baucus. You will find people do not want to give you a hard time, they just want some help.

Mr. Dunlop. Right. That is what we are there for.

Senator Baucus. OK, Mr. Kulik.

Mr. Kulik. Mr. Chairman, I have left on the table here my business cards, anyone who wants one can pick one up. My phone number is Area Code 202-653-6879. And further, if they call us, we will take their name and address and we will call them back on the FTS service, so that they do not have to pay for the call.

Senator Baucus. OK, give that number one more time.

Mr. Kulik. It is 202-653-6879.

Senator Baucus. And you are Mr. Kulik.

Mr. Kulik. Kulik, K-u-l-i-k.

Senator Baucus. And Mr. Dunlop in the other case.

My telephone number is 202-224-4375. That's the Washington number, 202-224-4375. I also have a toll free number here in the State, but I cannot afford for toll free to Washington. That is 1-800-332-6106. 1-800-332-6106.

Mr. Kulik. Mr. Chairman, I would like to add the toll free telephone number of the Sacramento office that will be actually processing these loans, that is 1-800-468-1710; 468-1710.

Senator Baucus. All right, Mr. Kulik, I think SBA disaster loans in earlier disasters have been somewhat helpful. And on balance, the programs are pretty good. There was a bit of a bottleneck in Sacramento for awhile a few years ago but I think that got straightened out. I encourage you not to let that bottleneck occur again.

I am still going to go ahead with the legislation I mentioned. All of you have helped a great deal and I am sure there will be a lot more discussion in the future.

Thank you very much and the Subcommittee is adjourned.

[Whereupon, the Subcommittee was adjourned at 12:50 p.m.]

# APPENDIX

1ST *Security Bank*
P.O. BOX 550-TELEPHONE (406) 646-7646
WEST YELLOWSTONE, MONTANA 59758

September 20, 1988

To Whom It May Concern:

I have been asked to compare this business year from 7-31-88 to 9-15-88 with last years deposit performance. During the period from 7-31-87 to 9-15-87, which is typically in the past a building period for deposits, deposits increased from $12,436,197 to $14,244,630 or a 14.5% increase. During the most recent period of 7-31-88 to 9-15-88 the deposits started at 15,707,296 and ended at 15,541,889 or a decrease of 1.1%.

This comparative information leads me to believe the fires in Yellowstone National Park had a serious effect on the local businesses in generating tourist business revenue. Consequently, the local business economy appears to be in need of working capital to provide for loan payments, accounts payable, inventory, living expenses, and other related expenses until June of 1989. Bank is presently working with several loan customers to extend their due dates and payment schedules or reamortize the commercial real estate mortgages until business revenues come back to normal or working levels again. Bank is optimistic the town will have an average winter business as long as the Park remains open to snowmobile and other related means of travel with accommodations and services available. The first summer after the fire, in 1989~~, the~~ bank also believes the area will generate good business revenues from curious tourists wanting to see the fire devastation in the Park. The Bank's concern will be after the first couple of years when the Park visitor will return to the tourist who is interested in seeing the Park as it was before the fires. I hope our concern at the bank will generate a sincere committment by the Park Service to rejuvenate the improved areas of the Park and also consider seeding and planting trees along all the roads within 300 feet. I do believe it will be vital to this community to begin this process immediately to assure its completion within the next two eyars.

Thank you,

Mike Polkowske
President

Horse Shoe Guide Service
Phone (406) 445-2205
Star Route Roberts, Montana 59070
TED E. DINSDALE
HUNTING TRIPS
FISHING TRIPS
See Montana at its best!
Scenic Primitive Areas

Dear Sirs,

Our nightmare in our thriving business started the winter of 1986-87 when 84% of our hunting clients (mostly repeats) didn't get their licenses due to the state drawing. this financial disaster of 84% was nearly impossible to overcome but by borrowing to the maximum of our collateral, we are still in business with a capacity hunting season booked for the 1988 season, then the news of the Storm Creek Fire came, burning our base camp, spike camp and the surrounding habitat the clientel comes for. It is now useless, we, my family, the clientel, the employees and I feel there will never be another haven for the game, with the cover necessary for the challenge of the always gratifying hunts so many of us enjoyed.

These happenings took me from a useful

member of society is a 45 year old with lots of out-of reach obligations, a family and a string of horses to feed.

I do believe in our system of free enterprise, and I believe there is no better country. But the circumstances that have reduced me, are not the elements of our trade - deep snow, blizzards or grizzly bears, but the decisions of our public officials.

Please help us

Sincerely
Ned E Dinsdale

Fergus Equipment Inc.

"Serving Central Montana's Farmers and Ranchers"

September 20, 1988

Senator Max Baucus
PO Box 1689
Bozeman, MT 59715

Reference: Disaster Assistance

Dear Senator Baucus;

The information I have received concerning the Senate Small Business Committee Hearing for the fire disaster areas is to consider additional aid to small business other than what is available through the S.B.A. Disaster Program in the form of low interest loans.

If that is true, it would be my feeling that assistance other than what is provided by S.B.A. for natural disasters would be discrimination against drought stricken businesses. I think you would agree that drought is as much a natural disaster as forest fire. You are aware that much of Montana has been in a drought disaster for three of the last five years and should be given as much consideration and support as the businesses in the fire zones. Loss of tourist trade certainly isn't any more devistating than loss of agricultural trade.

Please enter this letter into the formal minutes of the Committee Hearing if my information about the hearing is correct.

Sincerely,

W.M. Frisbee
President

716 Crowley Avenue • P.O. Box 1165 • Lewistown, MT 59457 • Telephone (406) 538-8795